



National Expansion Potential of TianMei's World in China

Winning potential customers through market segmentation
for an EP consultancy firm



- Master Thesis -

Author of the report:

Alexandra Elena Carst
Business, Language,
and Culture (Chinese)

Supervisors:

Kirsten Andersen
Department of Entrepreneurship
and Relationship Management, SDU

Adina Deacu
Founder and CEO
TianMei's World

Sworn Statement

I hereby solemnly declare and certify that I have independently prepared, researched, and written this project. No other aids, except the indicated ones, have been used for its completion. Furthermore, I assure that the quotations and statements that have been inferred are marked as such. Beyond this, the paper or considerable passages have not been subject to any previous examination or assessment.

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Alexandra Elena Carst

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Abstract

Throughout China's history, the English language has played different roles. Nowadays, such linguistic skills are greatly needed by the individuals to be admitted in higher education, advance in their careers, by companies and organizations to compete with international firms, as well as by the Chinese government to gain trust and reputation in their diplomatic activities, trade and infrastructure initiatives, and in chasing the status of world's leader in different domains. This study intends to analyse the English language training market in China, and its potential for TianMei's World, by employing multiple methods, qualitative as well as quantitative. The literature review and semi-structured interview with the company's founder, Adina Deacu, set the basis for the Internet-based survey with hundreds of local Chinese, which was followed by two online focus groups. Then a multi-dimensional market segmentation approach was used in order to identify and analyse the customer clusters by geographic area, demographics, time, and psychographics. The findings revealed that the English language will maintain its important role in (young) adults' lives (18–40 years old), who are eager to improve their proficiency level in order to have brighter career prospects. All six provinces (Anhui, Guangdong, Hebei, Jiangsu, Shandong, Zhejiang) and the two municipalities (Shanghai and Beijing) show market potential for TMW's services; however, a localized market strategy is needed to target these customer segments.

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List of Abbreviations

A1	Beginner	KOL	Key Opinion Leader
A2	Elementary	MIC 2025	Made in China 2025
ALT	Assistant Language Teacher	MNE	Multinational Enterprise
B1	Intermediate	MOE	(China's) Ministry of Education
B2	Upper-intermediate	MVP	Minimum Value Product
B2B	Business to Business	OBOR	One Belt, One Road
B2C	Business to Customer	PESTLE	Political, Economic, Social, Technological, Legal, and Environmental
C1	Advanced	PRC	People's Republic of China
C2	Proficient	Q&A	Questions and Answers
CCBCC	China Centre for Business Cooperation and Coordination	R&D	Research and Development
CICASME	China International Cooperation Association of Small and Medium Enterprises	RMB	Renminbi, Chinese currency
CN	China	ROI	Return on the Investment
CO2	Carbon Dioxide	SE	Sweden
CSF	Critical Success Factor	SME	Small and Medium-Sized Enterprises
CSR	Corporate Social Responsibility	SOE	State-Owned Enterprise
EF	English First	STP	Segmentation, Targeting, and Positioning
ELT	English Language Training	SWOT	Strengths, Weaknesses, Opportunities, and Threats Matrix
EP	Environmental Psychology	TMW	TianMei's World
EPI	English Proficiency Index	UK	United Kingdom
EU	European Union	USD	United States Dollar
FDI	Foreign Direct Investment	WFOE	Wholly Foreign-Owned Enterprise
FYP	Five-Year Plan	WOM	Word of Mouth
GDP	Gross Domestic Product	WTO	World Trade Organization
GNI	Gross National Income	YOY	Year-on-year
GE	General Electric		
GRP	Gross Regional Product		
HR	Human Resource		

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1 Introduction

At a global level, English reached the point where it is “as essential to international communication as it has ever been” (EF, 2017c). Nowadays, English is the language of many domains, including diplomacy, politics, science, R&D, and business. It actually became the link that connects countries around the world. Considering the importance it holds, many states are eager to increase their proficiency level, but in the past years, only slight improvements could be seen worldwide. At a global level, women have improved their English more than men. But, generally, women tend to be more educated nowadays because they are more likely to achieve a university degree (ibid.).

It has been proven that there is a direct-proportional connection between a country’s average English proficiency and its service exports, R&D investment, and Internet access (EF, 2017c). Thus, since English is the international channel for information exchange and growth opportunities, China is eager to catch up with the developed economies. Ever since 1978 when Deng Xiaoping, the back-then leader of China, started the transition of the country from a planned economy to a market economy through the ‘Open Door Policy’, English language gained an economic purpose. With the inflow of foreign direct investment (FDI), English skills were greatly needed for business. Besides, China is more and more active in organizing international fairs in big cities. Furthermore, the continuously growing yearly wave of Chinese tourists and students abroad as well as the internationalization process of Chinese multinational enterprises (MNE) engaging in overseas deals emphasize the significance of English language (Baldi, 2016). This language is also a critical connecting factor in China’s global diplomatic and economic initiative, One Belt, One Road (OBOR), an ample programme that focuses on trade and infrastructure involving countries across three continents: Asia, Africa and Europe (ibid.). Hence, the English language holds great importance for China and from different perspectives, e.g. educational, social, political, economic.

Currently, China is the world’s largest market for English language training (ELT) industry (Jin, et al., 2014). But China’s level is still rated as low. The reason behind this situation might be explained by the standardized education which focuses on vocabulary memorization and grammar. However, people are asking for changes, for “value-driven and people-oriented” customized courses (Yang & Du, 2018). This may represent the perfect opportunity for TianMei’s World (TMW), a consultancy startup based in Qingdao, Shandong province, providing language learning and self-development activities and training. TMW is supposed to be the first company that employs a holistic approach to their services and Environmental Psychology (EP) concepts to improve customers’ language learning, proficiency, as well as self-development, and other soft skills (TMW, 2018a).

Purpose of the Study

ELT market in China has attracted rather limited research attention, except one market investigation performed decades ago at the initiative of the government. The private sector of this Chinese market

was mainly disregarded. However, due to its impressive growth and increasing demand, China's private ELT industry is catching the interest of researchers, governments, companies, and other organizations. But the focus point falls mostly on methods, quality, curriculum design, or teachers. Researching English from the perspective of Chinese learners has been overlooked. The few publications about their motivations for studying English focus on describing their need to be motivated, instead of researching their determinants (Jin, et al., 2014).

The present study aims to assess and investigate the market potential of the ELT industry in China for a newcomer, like TMW, by identifying and analysing various customer segments. The purpose is to discover opportunities for domestic business plan development to widen the operations web of TMW in the country. Identifying the most potential B2C customer segments represents only the first step in compiling the market development strategy of TMW in China.

Problem Statement

Expanding its presence (physical and virtual) as well as its brand awareness, TMW seeks to attract and help more Chinese individuals struggling with language learning, EP issues, shyness, socializing problems, self-development, lack of direction in life, underestimation of self, etc. However, taking into account that TianMei's World is a startup at the beginning of its development path, it faces several challenges, e.g. lack of staff, resources, capital. This study proposes to answer the following main research question: *How can TMW expand its business activities outside the limits of its current location, Qingdao?* With the goal of providing a detailed overview for targeting during expansion stage, further sub-questions will be analysed:

- (1) Which are the areas that exhibit the highest demand potential for TMW's services? (geographic and time-based segmentation)
- (2) Who are the customer segments of these regions? (factual and demographic segmentation)
- (3) Considering the challenges, which are the customer clusters that should be targeted during the national expansion phase? (psychographic segmentation)

Limitations of the Study

As it is for every study, this dissertation also encountered some limitations and constraints. Considering the restricted time, space, and financial resources, a single case study, i.e. TMW's national expansion in China, was researched. Taking into account its applicability, this project is only representative as a unique case and its findings are only valid for TMW's case. Consequently, the conclusions cannot be generalised since the context can be different.

Because of distance, the researcher had to recur to the Internet to obtain the data. Thus, the body language could not be observed. Conducting face-to-face focus groups might provide a more detailed source of information, as the participants might be more active once they create an initial contact, relationship with the interviewer. Moreover, a larger size of the sample would probably enhance the reliability of the research, since the emphasis falls on accuracy and validity.

2 Methodology

Considering that a **mixed-method** strategy design combines qualitative as well as quantitative data collection channels and analysis techniques, for the purpose of this research, engaging more methods of gathering data is considered appropriate. An Internet (web-based) self-completed questionnaire with local Chinese can be considered a **quantitative** technique. **Qualitative** data collection took the shape of semi-structured interview with the founder and follow-up online focus groups with current customers, at a later stage, to confirm and explain the questionnaire findings, as well as to receive feedback from another perspective regarding TMW's potential and expansion plan. These were meant to understand a specific topic and provide a certain level of freedom and flexibility in collecting the data (Strauss & Corbin, 1990). The survey data complemented by other primary sources (such as research reports, emails, company materials, interview with the founder and follow-up interviews with the current customers), rounded the reliability of the results (Saunders, Lewis, & Thornhill, 2012). Hence, various sources were used to reach relevant information: desk research of literature, books, journals, newspapers, previous studies, and government publications and policies as secondary sources.

Consequently, this strategy classifies the present research paper as explorative, since the objective is to find useful patterns in the market segmentation; contrary to testing a pre-established hypothesis (Collis & Hussey, 2003). Generally speaking, "the objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses" based on a quantitative sample, which is not restricted or clearly defined (Kotler, Armstrong, Wong, & Saunders, 2008). Thus, since theoretical frameworks of business expansion and market segmentation were employed, the purpose of this project is labelled as **descriptive** and **exploratory** because the research will complete the literature and provide a better understanding of the topic (Hair, Babin, Money, & Samouel, 2003). In this regard, a multi-dimensional customer segmentation approach was enforced with the objective of identifying the Chinese customer segments that exhibit the highest potential for TMW's services (Saunders, Lewis, & Thornhill, 2012). Therefore, because the method of observation and research starts from general cases and moving to specific, the **deductive** approach is the best suited to this research (ibid.).

For the sake of this project, the **case study** research approach was used to investigate one bounded system, i.e. case, by engaging multiple sources of information and data to provide an in-depth understanding of a particular subject; in this case TMW's potential for expansion and its relevant customer segments. It is known that the case study approach is preferred "in situations when the main research questions are 'how' and 'why' questions; a researcher has little or no control over behavioural events; and the focus of study is a contemporary phenomenon" (Yin, 2013, p. 2). The case study research strategy provides the researcher with an affluent comprehension of a specific topic, as well

as the settings of the research. Additionally, it empowers the examination of the conduct and decision-making process of various actors inside or crosswise over an organization (Saunders, Lewis, & Thornhill, 2012). Ordinarily, this approach is especially appropriate to new research areas or when the existing literature does not seem applicable (Eisenhardt, 1989). Additionally, this method is particularly useful for research within a cross-border and cross-cultural context, where data were gathered from; just like the case in question, a cross-disciplinary case study. Moreover, the case study research possesses a holistic characteristic, which derives from the data gathering method, referring to its unstructured and open nature. Since this research focuses on one company, it can also be categorized as a single case study that comprises the empirical research of an intrinsic case, since an uncommon, singular, or rare situation is presented. Thus, in order to run a market segmentation investigation for TMW's products and services in China, the recommended model of market segmentation was developed on the grounds of relevant theoretical frameworks which guided the data gathering process and the analysis likewise. The reasoning behind the choice of an embedded single case study design is explained by the involved units of analysis on more levels, concentrating on different subunits, i.e. geographic, demographic, time-, value-, and motivation-based market segmentation dimensions. The objective of this small-scale approach is to reach a high degree of detailed, complex, and elaborated information (Yin, 2013).

As for the time horizon, the research is performed at a particular time, during a period of several months. Thus, such a cross-sectional study characterizes the collection of data as being pre-established and limited in regards to time. Furthermore, this type of study is suitable for case studies considering that a particular phenomenon is analysed at a certain point in time.

3 Data Collection

The acquisition of data necessary for this research was collected through two manners. To start with, desk research of the existing information and work compiled by other researchers on English teaching as an industry in China, as well as the small and medium-sized enterprises' (SME) environment in this country is deemed an essential first step for the project. Thus, traditional documentary analysis and consistent journal and newspaper articles about these topics constituted a fundamental approach of secondary source of data in order to attempt responding the research questions. Additionally, field research to obtain primary data was performed. The conclusions reached through the literature review were then examined in contrast with the results of the research aiming to provide a solution. Since the case study strategy assumes a high degree of complete information, the data were collected from various sources, e.g. interview and informal discussions with the founder, questionnaires, follow-up online focus groups with the current customers, different articles, promotion materials, year reports, databases, public statements regarding governmental policies, and many more.

Initial informal conversations and a semi-structured interview with the founder of TMW, Adina Deacu, were especially useful in understanding the company's history and experience, as well as for customizing and tailoring the questions about English studying to the company's needs and services offered. These primary data represented an important source of case study evidence and they correspond with the descriptive and exploratory purpose of this study (Yin, 2013). In fact, Yin (2013) contends that the interview is categorized as one of the most imperative sources of data. His argument is reasoned by its similarity with a fluid conversation, due to the flexibility offered by semi-structured questions. The interview guide left room for supplementary and spontaneous questions for a natural and smooth conversation flow (Flick, 2002). Moreover, the guiding questionnaire also avoids or minimizes the risk of deviating from the pre-established research objectives. For facilitating the analysis of the interviews, they were recorded once the interviewee provided their consent in this regard.

As a deductive approach suggests a development from general to specific (Saunders, Lewis, & Thornhill, 2012), based on the literature research results and various theories, an internet (web-based) self-completed questionnaire in Chinese was created on a Chinese platform (Wenjuan Xing, 问卷星 www.wjx.cn), in order to be accessible to Chinese people currently living in China. Additionally, previous national surveying research undergone by Chinese researchers a decade ago laid the foundation for creating the frame of the inquiry. In fact, the survey is a strategy of the research onion¹ that is generally used together with the deductive approach. The results of such an investigation provide reliable and complete data, which can then answer to any types of research questions (i.e. who, what, how, when, where) (ibid.). For the quality assurance purpose, the respondents' location

¹ The research onion figure can be found in the Appendix 11.1 The Research Onion

was the first and main sorting criterion, as only Chinese located in China are targeted. Altogether the survey comprised 30 questions², including 7 demographic questions. The majority of the questions followed a close-ended structure or fixed alternative, allowing the respondent to complete it within less than 5 minutes by choosing one or more alternative answers depending on the question (single- and multiple-choice questions). The questionnaire also included one open-ended question regarding the effect of attended supplementary English courses as a follow-up to the positive answer of previous question since it is important to permit the subject to use his/her own words for a more complete understanding of the situation; in this case, the impact or effect of the supplementary English courses experienced by the respondent.

The survey was accessible from a computer, but it was also responsive on a mobile screen considering that the most common sharing platform is the Chinese mobile application, WeChat. This granted a higher sharing flow and a higher possibility to reach Chinese locals online. The type of sampling engaged was snowball strategy by distributing the survey to Chinese acquaintances or other contacts who have an extensive Chinese network. In return, they were also kindly asked to share the questionnaire with their Chinese circle of friends and relatives, because the survey was set to be sharable by every person for the objective of reaching as many relevant respondents as possible. This is a convenient and time-efficient approach. Furthermore, since scanning a QR code is a constant daily activity for Chinese in order to check events, links, or even pay for their groceries, a QR code for the survey was also created to reach its weblink effortlessly². However, the size of the sample greatly impacts the data collection process as well as the conclusions of the analysis. Hence, random sampling through a paid sharing service was also used, in order to reach the minimum needed 385 respondents. Considering the statistics principles for calculating the sample size at a 95% confidence level with a standard deviation of 0.5, this number is viable for any unknown population of more than 100,000 persons to identify a pattern. The aim is to reach saturation, and this is achieved when any additional respondent does not provide any additional insight. The questionnaire received 729 valid responses of Chinese currently living in China. For analysis, the sample size was further diminished to 513 respondents as results of the geographic segmentation.

$$\begin{aligned} \text{Sample size} &= \frac{(Z \text{ score})^2 \times \text{Standard deviation}(1 - \text{Standard deviation})}{\text{Margin of error}^2} = \frac{1.96^2 \times 0.5(1 - 0.5)}{0.05^2} \\ &= 384.16 \end{aligned}$$

Figure 1. Sample size calculation formula

For validation of survey results, two follow-up online focus groups of 5 persons were undergone bilingually on WeChat due to different locations of the participants and moderator³. The main disadvantage is the impossibility of observing the verbal and body language because the interviewer

² For a translation of survey questions, see Appendix 11.2 Survey Questions and Translations

³ For the interview protocol and the main questions of the focus group, see Appendix 11.3 Follow-up Online Focus Groups

did not personally know the participants. But since the focus groups were virtual through a platform, the degree of anonymousness and flexibility were high since the persons could express their opinions whenever they were available.

3.1 Data Analysis

This chapter portrays the instruments used in the present study and meant to measure the variables indicated in the research questions. This section represents the defence of utilizing the measures suitable for this particular research topic and settings. It consists of tests and methods of interpreting the data, including the factual assumptions and the arguments for the statistical examination.

For the interview analysis stage, after being transcribed in NVivo (an analysis computer software effective for organizing (interview) data), the interview with the founder was organized and grouped together by attributes (i.e. nodes) with the purpose of creating and scanning themes and patterns. Despite being conducted over online communication tools (Skype, but mainly through the Chinese application, WeChat, due to its restriction-free usage in the country, compared to other channels), the conversations were recorded for transcribing and detailed examination to strengthen the veracity level of the data collection. Moreover, written notes were taken to guide the analysis focus of the collected data at a later stage and to facilitate the ensuing interpretation.

Regarding the questionnaire, various analysis procedures were used. As for the sample size of 513 respondents, it can be considered statistically valid and representative of the entire population relevant to this study, if 80% agreed on the same answer, under the conditions of a 5%-margin of error and a 95%-confidence interval. In order to increase its validity and assure that the participants understand the questions and what is requested to answer, the survey was pilot-tested with four Chinese citizens living abroad, a Chinese language professor and a foreigner fluent in Chinese. These persons are not eligible for this research since their location is currently outside the borders of China or, in the last case, a foreign nationality. Furthermore, since some questions included in the questionnaire are connected to EP concepts and TMW's services, the founder provided useful feedback in adapting the survey to the Chinese respondents. With the help of SPSS, a data analysis software, a report with descriptive statistics and segments of customers sharing similar opinions were created for a more facile interpretation of the results. Firstly, the survey responses were checked for errors and duplicated on the online platform in order to create reliable projections. Then, the raw data downloaded from Wenjuan Xing website were coded and variables named for conceptualization. For the multivariate data analysis, the researcher attempted to find relationships between different variables by performing analysis of association through cross-tabulations and frequencies. For this purpose, all the variables were coded on a nominal scale. Lastly, in order to organize and visualize the connections, the charts and figures were created mainly in Microsoft Excel.

3.2 Credibility of Research Findings

For the sake of reaching reliable conclusions, any research should assure quality in design, data collection and interpretation of the results. This responsibility falls on the researcher's capability to demonstrate what methods were utilized. In this manner, the procedures are guaranteed to be reliable and the conclusions substantial and valid (Saunders, Lewis, & Thornhill, 2012; Yin, 2013).

It should be remembered that the aim of the collected data is not to be repeatable since the information gathered through interviews and surveys portray a situation, a reality at a particular point in time, i.e. when it was acquired. Repeating the research with the same respondents or interviewees may bring different outcomes (Saunders, Lewis, & Thornhill, 2012). **Reliability** represents the degree of consistency and accuracy of the results delivered by the data gathering methods and analysis methodology, while transparency is reflected through documenting and reporting the source (Silverman, 2000). The survey sample is a statistically viable segment of the Chinese population which is representative only at the present moment. This study's level of reliability is graded as relatively low, due to the subjects' possible change in opinions, interviewer's influence, and the rather small sample size of the survey, which should characterize a large population of more than 80 million.

Due to limited time, for gathering the primary data, the snowball effect accelerated the process within a cross-sectional time horizon. However, the sample became random since the researcher could not control the distribution (sharing) of the questionnaire and the link was sharable by everyone, even though it started as a convenience sample with a non-random procedure. Moreover, in order to maintain the credibility of the information received, the surveying platform allows anonymous tracking of the source of responses, i.e. how the respondent reached the weblink of the questionnaire, the interface used, and the location determined by the IP address. Thus, the accuracy of the data can be guaranteed by checking how and from where every respondent accessed the survey.

Validity "refers to the extent to which the researcher gains access to their participants' knowledge and experience and is able to infer a meaning that the participant intended from the language that was used by this person" (Saunders, Lewis, & Thornhill, 2012, p. 327). **Construct validity** measures the significance of the operational methods when are applied in practice (Litwin, 1995). Quantifying, comprehending, and reporting construct validity represents a challenge. Such validity of data comes with the years of experience in the area. Since for a case study research, the data were gathered in a rather subjective way, this kind of validity is questionable. To tackle this problem, Yin (2013) suggests three solutions: (1) engaging multiple sources of data; (2) the reader should be able to trail the cause of the final conclusions back to the introductory research questions; and (3) having the project reviewed by domain relevant persons. Thus, it can be drawn that the construct validity of this study is between moderate and low. Taking into account that case study research can have a certain share of subjectivity, the construct validity will not be substantial.

Content validity refers to the fact that the researcher can demonstrate his possession of enough knowledge and coverage of the specific domain. Conducting an analysis of existing literature and previous research studies is useful in this regard. However, even though the intention is to analyse and present the data in an objective manner, the results might still be influenced by the individual characteristics of the researcher, e.g. culture, perceptions, values, attitudes, prejudices, etc. (Saunders, Lewis, & Thornhill, 2012).

Internal validity is achieved when a change in a dependent variable is an observable cause of an independent factor (Brewer & William, 2000). As far as this research is concerned, the internal validity is rather high, in light of the fact that an in-depth and exhaustive understanding of the units of analysis has been created by the author. Therefore, the results of this study support validity regarding the units of analysis. With reference to the **external validity**, the outcomes of a research should bear validity across various surroundings, methods, or subjects, providing the generalisability characteristic of the results (Brewer & William, 2000). Due to the restriction of the sample to a certain area of China, the external validity of the present paper is only moderate. In order to increase this type of validity, a subsequent study with a larger sample should be completed. Notwithstanding, the accessibility of questionnaire by random Chinese persons located in other parts of the country improved the external validity of this research.

Regarding the **ethical consideration and procedures**, the firm and founder were guaranteed that all the information provided by them will be treated strictly confidential. Regarding the questionnaire, the participation was purely voluntary, and the respondents were free to withdraw anytime. Furthermore, a welcoming message appeared on the first page of the survey. Its aim was to explain and clarify the objective of the study as well as to provide information regarding the number of questions and the time taken to complete it. Also, they were reassured that their answers will be anonymously and confidentially presented, analysed only for the academic purposes and only for the sake of this singular study.

Online surveying may be perceived as an invasive and demanding approach for the respondents, especially in case they are requested to provide written answers. But, the survey of the present research included only one open-ended question. On the other hand, using an online surveying platform to gather information can negatively influence the reliability of the information. However, the questionnaire was composed of mostly closed-ended questions to speed up the answering time (approx. 5 minutes). This type of questions is suitable for a web-based survey because they are not complicated or complex. Furthermore, after submitting the results, the participants could register for a raffle contest organized by the surveying website. In spite of the disadvantages, the greatest benefit of a web-based questionnaire is that it allows the researcher to study respondents located in different parts of the world. Thus, the probability of defilement or distortion of the participants' answers was low. For validating the results, the researcher could also check the participants' device location (i.e.

country and province). Thus, the confidence level that the right persons engaged in this study is high. Before releasing the questionnaire, a pilot test was undergone with Chinese persons living outside China in order to refine the survey with the goal of being sure respondents will have no issue in understanding what is requested from them. The pilot test contributed to increasing the validity of the questions and the reliability of the results. Consulting with the founder, an expert in EP, to comment on the appropriateness of the questions and allow recommendations on adjusting the survey contributed to setting up content validity.

Another ethical principle that might be affected during a research study is connected to the researcher's capability of maintaining his/her objectivity. Amid the data gathering phase, the information shall be collected in an accurate and thorough manner, while the author should abstain from becoming subjective during the selection of data or recording it.

4 Literature Review

4.1 Growth Theories and Expansion Models

The business literature provides various growth theories with different factors and/or timelines. Nevertheless, what they all agree on is that *flexibility in thinking and strategy* represents an indispensable key element in determining the success of a startup. In the same time, it is also important to understand in which phase the startup is currently in and which is the next one (Petch, 2016).

Generally, a company's expansion models follow five stages. The first stage is *seed and development* also called *existence* (Churchill & Lewis, 1983), which takes place before the business is officially set up, as it is just an idea at this stage, whose feasibility is tested through research. Financing its launch is also included in this phase (Petch, 2016). There are many opportunities when a business was just founded but also many challenges as it requires a lot of time and energy. It is a common situation that the startup is not profitable yet; in some cases, the business might even run a loss for a while. The key is to experiment and grasp opportunities for the purpose of acquiring a customer base (Blackman, 2017). The second stage is named *startup* (Petch, 2016) or *survival* (Churchill & Lewis, 1983). This is the stage when the business is launched. And it represents the first challenge of startup since any faux pas done during this period will negatively influence the development of the company in the following years. Research shows that 25% of the startups shut down in less than five years from their launch, precisely because of this reason. That is why this stage is considered a "risk zone" (Janssen, 2016). Hence, *adaptability* is crucial at this point. That is why along the way the product/service will suffer many changes aiming to meet the customers' feedback. However, this stage is risky as confusion will blurry the entrepreneur's decisions. The founder of TMW will have to consider all these factors since the company is finding itself in this phase (Petch, 2016). The biggest challenge is to become a profitable business by surpassing the costs with your revenue. In short, the firm should become sustainable. When the startup reaches this point, the founder can hire more employees. Expanding the customer pool is also deemed necessary for the survival stage (Blackman, 2017).

The following stage is the *growth and establishment* when the company experiences the highest peak of *success*. At this step, the startup will start to be profitable as it will generate income and have loyal customers while attracting new ones. The business might also have to rethink its current model (Janssen, 2016), including to consider hiring more staff with needed skills as well as figuring out their responsibilities. During this stage, the founder also has the option of hiring managers and delegating major responsibilities to them for the sake of maintaining sustainable profits (Churchill & Lewis, 1983). Thus, the entrepreneur should carefully plan and control these tasks in order to generate more profit for the purpose of not only surviving anymore but to expand the business. Moreover, the goals of the startup shall be precisely defined and detailed, based on which the staff and teams will be mobilized

(Petch, 2016). Then, the achieved profit should be invested in the future growth of the firm, the next step in the development plan.

During the fourth stage of *expansion* also named *take-off* by other researchers (Churchill & Lewis, 1983), the firm becomes stable and the employees would know their own duties, as the company has reached a visible level of presence in the industry. Consequently, the entrepreneur might consider broadening the product range and/or expand geographically. Depending on the business owner's decision, the purpose of this period of growth can be portrayed by seeking to increase its market share, boost its revenues, and identify new means of attaining profit (Janssen, 2016). However, any decision should be carefully and wisely analysed. Even though growth in terms of revenue and cash flow is perceived now, the business world is fast pacing requiring *awareness* and *constant effort*. *Careful planning* is also part of the equation. Besides, every market is different and, thus, requires different approaches and adaptable business plan, even between the regions of a big country like China. During expansion, many changes can also take place. For instance, more staff can be hired in order to cope with a larger scale of operations and decide which methods the founder should give up on because they are not effective any longer. Moreover, continuing this process with the same *motivation* as in the first phase is vital in scaling the business (Blackman, 2017). The founder also has the option to expand to other countries; however, detailed evaluation of the market's attractiveness should be compiled. Factors such as the firm's capability to gain market share in that specific country and the market size should be taken into account in order to estimate the possibility of earning an ROI (return on the investment), necessary to compete with the established local players. Regardless the shape of the company's expansion, be it export through distribution channels, opening a wholly-owned subsidiary or partnering through a franchise or joint venture, *communication* remains highly relevant and yielding to the business' performance and growth prospects (Cohan, 2016).

Subsequently, the company reaches the final and fifth stage, called *resource maturity* by Churchill and Lewis (1983) or, more generally, *maturity and possible exit*. In this phase, the business should have become mature and stable. Hopefully, the firm should now gain stable profits, giving the owner only two possibilities: either expand further if more opportunities are found or plan an exit. Only to avoid uncertainties and be fully prepared, having an exit strategy is necessary. It should be noted that this common framework might not apply to all firms. Some startups can skip some stages or others might experience rapid growth and pursue two stages simultaneously (Petch, 2016). Nevertheless, this model has been applied to various companies from different industries since it was compiled more than three decades ago. A takeaway point that Churchill and Lewis (1983)⁴ emphasized is that every single stage is important for the growth of a business, including the existence and survival phases when the pillars for the enterprise's structure are set, and the problems that are faced on each stage (ibid.).

⁴ For a more detailed overview of Churchill and Lewis' growth model, see Appendix 11.4 Churchill & Lewis' Growth Model

There are other models which separate the stages into seven smaller steps (i.e. seed, startup, growth, established, expansion, mature, exit) for a better visualisation and self-evaluation of where the company is finding at. Nonetheless, the model is basically the same as the 5-stage ones (Janssen, 2016).



Figure 3. Five-Stage Growth Model (Petch, 2016)



Figure 2. Churchill and Lewis' Classic 5-Stage Growth Model (1983)



Figure 4. Seven-Stage Growth Model (Janssen, 2016)

Another common growth model developed by Lippitt and Schmidt (1967) relates to the competencies in terms of management. The stages attributed to this model are metaphorically compared to a person's life stages: *birth*, *youth*, and *adulthood*. This model relates to the life cycle theory stressing that each stage requires different management skills to make suitable decisions and create appropriate solutions (Adizes, 1989; Greiner, 1972). The first development stage, *birth*, includes the creation of a new organization and the survival. The critical point at this stage is to identify the risks and the sacrifices that need to be made. *Youth* is composed of gaining stability through organization capabilities and reputation through review and evaluation of the products, customers, but also personnel. The last stage, *maturity*, assumes two further steps divided between reaching uniqueness and adaptability by employing change if needed and contributing to the society. At this last sub-stage, the business should decide on the possibility of sharing for the sake of achieving public appreciation. If this step is overlooked, the firm might face profit loss or even bankruptcy. CSR (corporate social responsibility) activities can contribute to creating a positive company image (Lippitt & Schmidt, 1967). Because of their many differences, there are no startups alike. However, they experience common issues along their similar stages of development process. According to Churchill and Lewis' stage model, a company should possess four key management factors in order to succeed. These resources are categorized into: (1) financial resources, which relate to the company's budget and its buying power; (2) personal resources at every organization level pointing to the number and quality of the staff; (3) systems resources, referring to the value of the control systems, the data, and planning; (4) business resources, comprising customer and supplier relations, all processes involved in manufacturing and distribution stages, reputation, and market share. These company-related factors assure a market



Figure 5. Lippitt and Schmidt's Growth Model (1967)

position for the startup. Furthermore, it is argued that the owner should also possess four capabilities for the sake of the company's survival and success. Firstly, the founder should have clear goals for his/her life, but also for the startup. Secondly, the owner's operational abilities contribute greatly to the business. Thus, having skills and experience in the entire supply chain (e.g. production, marketing, management, distribution, etc.) can make the difference. The third factor only relates to the owner's managerial capabilities and his/her ability to delegate and manage tasks and responsibilities to the employees. The last factor refers to the owner's strategic abilities, including picturing a feasible vision for the business, setting appropriate goals while considering the company's strengths and weaknesses (Churchill & Lewis, 1983).

During the early growth stage, the company experiences growth and it can happen at different rates; consequently, careful monitoring and analysis are essential for the later stages. The main scope of this phase is to decide upon the direction of expansion. But, the main challenge that an entrepreneur faces, is the continuous adjustment of the business strategy in order to conquer obstacles. The different stages of development also require adaptations in the business owner's approach (Blackman, 2017). Considering that the marketplace always changes, continuous evaluation is advisable in order to adapt to the updated market conditions, and later to find other more suitable options for possible growth. Furthermore, the entrepreneur should create a set of metrics to estimate the health and prospects of the business for the long-term (Solomon, 2013).

4.2 Startup Models and their Evolution

Often enough these conventional models and strategy models do not apply to new startups because of several reasons. First of all, some aspects cannot be explained through theory since no any two startups can be alike. Secondly, some researchers argue that this area lacks progress and investigation about the growth development and performance of **modern startups**. Thus, the existent scientific approaches of determining a way of how new startups can reach success can sometimes be considered inaccurate. Lastly, the economic environment is described by attributes like instability, continuous change, variableness, and hindering. These characteristics harm the credibility of fixed growth models developed decades ago since the startups are happening in the real economic life (Tsai & Lan, 2006). However, studying and applying these models, e.g. Churchill and Lewis' five-stage growth model, can provide the entrepreneur a solid grounding for what problems and obstacles the startup might confront in any stage. This understanding can help the manager to formulate different strategies and methods to deal with those crisis moments (Churchill & Lewis, 1983).

The growth development process of new businesses should not be perceived as linear, but a rather disorganized and turbulent path. Embracing these changes by adapting the growth strategy rather than trying to control them constitutes the option with the highest possibility of survival and expansion (Tsai & Lan, 2006). From the perspective of the complexity theory, which uses an individual frame of

reference as a basic assumption, the development process of a startup is seen as relatively dynamic and erratic (Bygrave, 1989), while the life cycle theory analyses this process from a rather holistic angle (Tsai & Lan, 2006). The latter theoretical framework focuses on the internal changes happening in the structure of the business throughout all its stages (Katz & Gartner, 1988). However, contrarily to life cycle theory's assumption that businesses follow a progressive and linear course towards growth (Tsai & Lan, 2006), researchers found that a high percentage of startups (according to Eggers et al. (1994), this percentage was estimated at 30%, while Slevin and Covin (1998) agrees on a higher proportion, i.e. 40%) actually experience a dynamic, complex, heterogeneous, and dissimilar growth process (Tsai & Lan, 2006). In most theories and models of business development phases, this dynamism is neglected. For this reason, the complexity theoretical perspective advocates for adaptability being the key management skill a founder can have in order to tackle the unforeseen of the market and maintain a flexible attitude. The opposite of this argument is the life cycle theory whose reasoning lies on identifying the problems a startup might face at each stage; thus, believing in a predictable future and compiling strategies based on a general growth cycle (ibid.)⁵.

Since the beginning of twenty-first century, the life cycle theories exhibiting development stages have received criticism due to their lack of evidence, despite their popularity (Levie & Lichtenstein, 2010). The dynamic growth models which stand in contrast to life cycle theories are considering the environment as being changeable and changing (*dynamic*). Even though this category of growth theories requires more study, their main principle is that any two companies are different from each other; thus, the factors that will lead to growth are also different. Researchers whose work is worth mentioning here are Blank (2013a), Ries (2011), Osterwalder (2014). Because of Lean Startup model's quick and efficient learning procedure, creating a model that suits the company is less demanding than following traditional growth models which agree on a general pattern for all businesses (Van Kroonenburg, 2016). This term refers to using the available resource in the most efficient way while attempting to eliminate any sort of waste, e.g. financial, time-wise, workforce (Maurya, 2012). The lean startup theory focuses on the idea of establishing and administering new companies in such a way that customers will receive a needed or desired product/service. This methodology emphasises the importance of the startup's product/service exposure to relevant customers throughout every stage of its development.

In this regard, Alex Osterwalder's growth model stresses the importance of three stages: 1. *Problem-solution fit*, 2. *Product-market fit*, and 3. *Business model fit*. The former phase relates to the creation of the business idea based on the problem which the entrepreneur finds, and which needs to be solved. The objective of problem-solution fit step is to identify the potential target segment in its environment, without creating any new product, yet. Once the target audience has been observed, direct

⁵ For a contrastive overview of the two theoretical perspectives, the life cycle theories and the complexity theories, see Appendix 11.5 Comparison of the Two Views Regarding Startup Growth

communication with these potential customers is needed in order to better understand the problem they experience, and consequently, their needs. The product-market fit phase includes the testing and experimenting the developed product (i.e. minimum value product or MVP) with the target audience. These prototypes should meet their needs and requirements since the data that contributing to developing the products was provided precisely by the audience. Then, if the product exhibits a high demand, the startup will advance to the next stage. The final phase consists of finding and compiling a scalable, suitable, and sustainable model to generate revenue (Osterwalder, Pigneur, Bernarda, & Smith, 2014).

Another similar growth model with Osterwalder's is the one set by Ash Maurya. During the problem-solution fit stage, the identification of the problem is done by filling in the Lean Canvas⁶. This canvas is meant to aid formulating assumptions which can be later analysed in a systematic manner. As for the product-market fit phase, Maurya states that the most suitable solution for the identified problem is actually market research. Attempting to set a business model in order to generate inflow is also part of this stage. During this stage, another canvas can be used, the Business Model Canvas⁶. In the final phase, scale, the startup reaches a tipping point where the entrepreneur will try to find a way to spur growth (Maurya, 2012).



Figure 8. Sean Ellis' Growth Model based on his Startup Pyramid (2014)



Figure 7. Blank's Customer Development Model (2013)



Figure 6. Osterwalder's Growth Model (2014)

Steve Blank's four-stage growth model takes a slightly different approach by placing the customers and more precisely their needs (Gunawan & Lee, 2015) at the core of the business and throughout the entire development process; that is why its name of *Customer Development Model*. During the first stage, *customer discovery*, the entrepreneur searches for a problem that needs to be solved for the intended customer group (problem-solution fit). In this phase, no product development is necessary yet, however, the founder may intend to create one or more MVPs (proposed MVP) and funnels (proposed funnel(s)). The second phase is entitled *customer validation* because the founder tests the MVPs in order to find a product-market fit to be approved by the target audience; in short, checking the existence of the product's demand on the market. Thus, it implies that the product has to meet the market's requirements. The following sub-step is to compile a business model that is suitable for the startup. Then, the firm can engage in its first *sales and marketing activities*. It should be noted that at this point the company might pivot by returning to the customer discovery phase in order to adapt

⁶ See Appendix 11.6 The Lean Canvas and the Business Model Canvas

its products. During the third phase of *customer creation*, the entrepreneur will concentrate entirely on sales leading to the last stage of *company building* where the focal point will shift to scaling the organizations as well as the operations (Blank, 2013a)⁷.

The growth model Sean Ellis proposes differs than those presented before because he suggests the *product-market fit* as being the foundation of the model and the first step towards growth. A good product-market fit is essentially important due to its impact on later stages. Moreover, he indicates that the previous statement holds true especially when the interviewed target audience who would be disappointed in case the product investigated, will not be marketed in the end reaches a percentage of at least 40%. When the product-market fit is identified, a value proposition can be recommended to the appropriate target customer group, i.e. *positioning*. Once it is accepted, the startup can move to compiling its business model, i.e. the third stage of *economics*. The next stage of *optimization* refers to improving the sales funnels which will lead to a faster conversion from a simple lead to an actual sale. As soon as the startup will find a funnel which results in high customer acquisition, the firm will be at the top of the pyramid and will begin to grow. These stages of growth model were dubbed as “growth hacking of lean marketing”, the current of dynamic growth models discussed in this chapter (Ellis & Brown, 2014).

The Lean Startup growth models have many similarities. As it can be perceived, they all exhibit various stages in achieving growth. Moreover, a great emphasis is placed on the external environment, particularly the customers or the end users. By combining the all the life cycle and dynamic (or complex) models discussed before, another growth development pattern can emerge. Before reaching the product-market fit stage, the entrepreneur needs to do some preparation, especially by drafting the startup's *vision* including its goal. Formulating the company's vision is like drawing up the framework the business will evolve within; besides it also provides focus. This should be just a draft since changes might occur in defining the vision. The following stages are *problem-solution and problem-market fit*. The task of the startup at this point is to identify a problem which can be relevant to solve, particularly within the framework of the developed vision, and which is relevant for a certain customer segment to have a solution to. In brief, the found problem should lead to a supply provided by the startup in order to satisfy a (sometimes possibly unrealized) demand of a particular target audience. Then, the startup will advance in creating MVPs and prototype-products to experiment with them until the *optimum product* is developed. *Prototyping* until the product is perfected represents the focal point of this phase. Afterward, the business will initiate the optimization process. Finding a proper strategy of customer acquisition will pursue growth. This method should be expandable in order to reach a large number of potential clients at once. The following stage, *scaling*, refers to growing the startup into an organization. A scalable business model is designed to be intermittently executed. Furthermore,

⁷ For a detailed representation, see Appendix 11.7 Blank's Customer Development Model

due to the increasing size of the organization, more staff is employed. However, this stage should not be seen as the final destination. In fact, the curiosity and innovation spirit should be continuously nurtured to constantly search for opportunities to develop within the vision frame (Van Kroonenburg, 2016). However, during the maturity stage, the growth rate of the startup might decelerate (Bass, 2015).

The Lean Startup approach suggested by Eric Ries comprises a tool that orders the stages of development considering the company's vision, as the purpose is to compile a methodology circling the product evolution mentioned before. This process follows and demonstrates if a product/service is leading to a sustainable business. This methodology consists of three components: *build*, *measure*, and *learn*. The build stage, as the initial step, focuses on the development of an MVP. The next two phases presume the quantifying the results and reaching conclusions based on them.

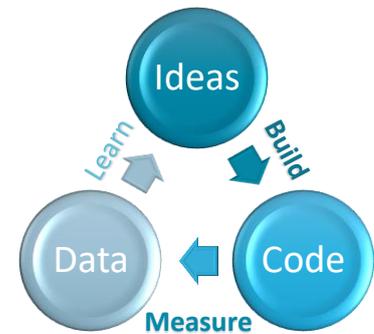


Figure 9. Eric Ries' Lean Startup Methodology Loop (2011)

These should be undergone through actionable parameters that illustrate the cause and effect. At this point, the entrepreneur should engage in measuring the success and setting up priorities and milestones. Assessing the customers' response and feedback towards the product/service is also an essential measure that will decide if the startup should persevere in the same direction or should pivot (Ries, 2017).

According to a study undergone by Shikhar Ghosh, 75% of the new firms are unsuccessful. The idea of a perfect business plan that is generally compiled before the entrepreneur has even set up the startup in order to find the uncertainties of the business, is a fallacy. It is a common case for the entrepreneurs to discover that the customers do not want or need most or some of the features a product has. The reason is that forecasting for a time-span of 3 or 5 years is impossible. That is why the new lean startup methodology is preferred in order to avoid failure. This strategy emphasizes experimentation, customer feedback, and constant development. Despite being a relatively recent model, Lean Startup has gained recognition throughout the past few years, especially through its concepts (e.g. pivoting and minimum viable product) that have been utilized by the startup. Furthermore, some business schools around the globe have begun to teach students about this methodology due to its relevance and frequent usage in the startup world (Blank, 2013b).

A startup is significantly different from an existing firm. And the main discrepancy consists in the business model. The existing company already has a suitable business model and is executing it, while a startup is aiming to create one. The focus of the lean startup approach falls on this aspect. Thus, the definition of a startup through this methodology can resonate like: "a temporary organization designed to search for a repeatable and scalable business model" (Ries, 2011). The lean startup method has three main assumptions: (1) Contrarily to an elaborated business plan that might take months of work

(for planning and researching), the entrepreneurs would just accept the massive uncertainty and use their own assumptions to create a framework, resulting a business model canvas. The aim of this diagram is to figure out the ways of bringing value to the company and to the customers (ibid.).

(2) The second principle concentrates on testing those assumptions (as well as distribution channels, pricing strategy and product features) with all shareholders (i.e. partners, potential purchasers and/or users). This customer development phase aids in the creation of the MVP. Moreover, the startup receives the first customer feedback that helps to purposefully adjust the business model canvas, including their hypotheses and product/service. At this point two important actions are taking place: *iterations* and *pivots*. The former refers to small changes that will occur in the model due to the received feedback, while the latter are the sizable adjustments taking shape of new hypotheses. Once all the assumptions had been proven, a model is created, based on which the startup will set up the organization. It should be noted that this customer development stage is not a one-time action, but it should be rather seen as a repetitive one, a cycle until all the hypotheses match the audience's feedback (Blank, 2013b).

(3) Moving to applying the model created and resulted from the customer development stage, the product/service (i.e. MVP) will be developed step-by-step throughout a process where it is repeatedly tested. This repetitive and incremental development method is called *agile development*, which was first used in the software industry. However, this product development approach is conjointly suitable with the customer development process. In addition, this method uses less time and resources than the traditional cycles that take years of developing a product based on the presumption of potential customer's wants and needs in terms of that respective product. Engaging agile development, a startup can target the most suitable customer segment(s) and reach them sooner. Iterative agile methods and constant customer feedback are the key factors of the lean startup strategy. Even though some have stated that this model assures success, Steve Blank declares that based on his experience and assistance of hundreds of startups, "using lean methods across portfolio of startups will result in fewer failures than using traditional methods" and does not guarantee success. Nevertheless, a lower failure rate is contributing to the overall economy through growth and efficiency. To a larger extent, this model can also be employed by the existing (even large) companies when trying to enter the market with a new product or adapting an 'old' product to a new market. For instance, even GE started to use the lean startup method (Blank, 2013b)⁸.

4.3 Service SME Environment in China

Since TMW's products are categorized as intangible, it is relevant to analyse the service sector environment in China, especially for the new businesses. Services in China as an industry were

⁸ See Appendix 11.7 Blank's Customer Development Model

disregarded until a few years ago because of promoting the primary and especially secondary sectors as the drivers of the national economy. However, the tertiary sector in China has more than double in size during the past twenty years (from approximately 22% in 1980, the lowest percentage in China's services ever measured from 1960 onward (WBG, 2017)) (Bajpai, 2016).

According to the most recent data published by China's National Bureau of Statistics (NBS), in 2016, the service sector's contribution to China's GDP was 53.7% (NBS, 2016) as per 2016 or 51.6% as published by the World Bank (WBG, 2017). The year-on-year (YOY) growth rate of approx. 8% is higher than the rate of the other sectors (3.3% in primary sector, and 6.1% in secondary sector) (Xinhua, 2017; NBS, 2016). The investment in the service sector has also surged reaching RMB34.6 trillion, despite the slowdown of China's economic growth rate (ibid.).

Realizing the potential of the service sector in contributing to the economic growth, the Chinese government has tried since 2016 to relax the restrictions in service developing and investment, particularly in regard to education, sports, and elder care (Xinhua, 2016). Since TMW's services are related to education, it is relevant to be aware of the political environment in terms of education services. Thus, China is pushing towards the improvement of private schools, which are now allowed to set the fees on their own, and the exchange programmes to increase the competitiveness level of the Chinese educational institutions. Further loosening of the restrictions is expected, especially for online services (ibid.). The evolving consumption trends in China demand for more and better services. For this reason, Chinese economists suggest improvement of social security and welfare to target and stimulate the consumption potential (Xiang L. , 2017). Besides, the global average (68.9%) is above China's current percentage with 17.3% (WBG, 2017). So, there is still room for further progress within this industry.

Even at the beginning of this year (2018), the service sector enjoyed continuous growth. This surge is partly due to the improved accessibility of firms to bank loans because services along with consumption are considered the (future) main drivers of China's growth, since counting on exports, inward FDI, heavy industry, and manufacturing is not reliable anymore for a sustainable economic growth. What is worth mentioning regarding the financing from banks, the main beneficiaries have been SMEs, considering their challenges to gain funding. This greatly contributed to improving the business conditions for service companies in China (Qiu & Woo, 2018). Furthermore, the taxes on firms acting within the tertiary sector have been decreased, as well as the capital required for business registration. Additionally, local governments have become more active in building a supportive and creative environment for startups by setting up "incubation hubs and entrepreneurial parks" (Roberts, 2017). All these initiatives have the final goal of providing more jobs in the service industry while the national economy continues to expand at the 6.5% growth rate target with services compensating for the slowdown in exports and inward FDI. The concrete plan is "to create 50 million jobs by 2020" (Glenn & Zhang, 2018).

In the long-term, SMEs located on the east coast of China have a higher probability of experiencing growth, while those inland have a higher chance of survival due to less intense competition comparing to the coastal areas. The increased governmental importance accorded to SMEs rendered by the 2004 *PRC Small and Medium-Size Enterprise Promotion Law*, which aims to promote the setting up of startups within all the industries, especially in the rural parts of China. Other institutions founded by the government and having the same scope are: China International Cooperation Association of Small and Medium Enterprises (CICASME), 'Spark Plan' Office under the administration of the State Commission of Science and Technology, China Centre for Business Cooperation and Coordination (CCBCC), and Department of Township Enterprises under the Ministry of Agriculture, the National Development and Reform Commission (Liu & Pang, 2006).

A study analysing SMEs in secondary and tertiary industries reached to the conclusion that the latter firms have a higher profit growth rate, due to greater flexibility of activities and adaptability to market changes in the tertiary sector, as well as their fast response in facing these challenges (Liu & Pang, 2006).

4.4 Consultancy Sector in China

The consultancy sector, a sub-branch of services in China, is developing incrementally, while the number of such companies, be it domestic or foreign, is continuously increasing in this country (Schnepper, 2007). The latter kind of firms are more experienced in this domain and possess more years of experience and stability, e.g. Accenture, McKinsey & Company, Deloitte Consulting, KPMG, PWC. However, the market conditions for consultancy sector are not mature, yet. Thus, the actors can face many challenges in this area (Daxue, n.d.). For instance, the Chinese SOEs were prohibited in 2014 to engage US consultancy enterprises in helping their strategy. This only emphasis China's eagerness to rely on their inland locally born consultancy firms (Edwards, 2015).

Consultancy firms, especially EP consultancy companies, are rather few in China since even the consulting industry was introduced to this market only two decades ago. This concept is relatively new to China. At the beginning of the 1980s, the Chinese government took the initiative in setting up consulting firms providing services for high tech, finance, and investment (Daxue, n.d.). Meanwhile, the local businesses have started to understand its usefulness and potential, particularly in helping the Chinese MNEs in their outward FDI activities outside the borders of the country. Employing such services, being prepared and knowing the business environment (i.e. company, region, country, local laws and legal procedures, etc.), the Chinese companies attempt to reduce the probability of failure in overseas investments, especially in cross-border mergers and acquisitions (Carst, 2017).

Due to internationalization and economic development degrees, the consulting industry is clustered in large Chinese cities, such as Shanghai, Beijing, Shenzhen, Guangzhou. Such enterprises can be divided according to the type of services they offer into mainly management, finance, investment,

marketing. Since in most tier-2 and tier-3 cities⁹, the consultancy sector is undeveloped to a great extent; however, as the market is not tapped, there is a great potential for startups in this industry. Consequently, an YOY growth rate of 7.5% of the consultancy sector is expected in China during the next 5 years. Even though the rate is higher than the average GDP growth rate estimations for the same period, the consultancy sector will slow down in development as compared with the annual growth rate experienced throughout the past 5 years, i.e. 9.4%, with a revenue of USD28 billion (IBISWorld, 2018).

One essential requirement to succeed in such a fast-developing industry is to have an international network. Possessing such contacts becomes an advantage in front of the Chinese companies willing to expand abroad. In addition, the consultancy sector is characterized by a high degree of flexibility and a fast-evolving nature since the firms acting within this market should quickly react and adapt to the customers' changing needs and requirements (Schnepper, 2007).

4.5 Environmental Psychology as a Business

Since TMW employs EP concepts in their activities and services, it is relevant to understand the background of this interdisciplinary field, a discipline which connects individuals with their surroundings (Wells Lindfors, 2009). Lewontin, an American biologist and mathematician, conditions the environment around an organism: "there is no organism without an environment, but there is no environment without an organism" (Lewontin, 1982, p. 160). Furthermore, many researchers agree on the impact the environment and cultural settings have on language acquisition (Wells Lindfors, 2009). A focal point regarding anthropology is the important role culture plays in mediating the relationship between individuals and their surroundings. In the same time, culture is defined as people's way of adaption (Ingold, 1992).

Teaching styles also influence any language development process. Thus, the key to language acquisition consists of the environment, the ability, and the ways of the person to make use of his/her surroundings. It has been proven in many studies that children growing up in an environment rich in learning opportunities reach a higher level of education faster. Certainly, supporting and encouraging the toddlers to take advantage of these favourable circumstances is deemed essential to use the environment effectively, too. This process, as well as the method of learning, can carry on throughout the entire lifespan of a person (Wells Lindfors, 2009).

From the EP perspective, environment is perceived as a system in equilibrium composed of nature and buildings, and it is sensitive to any changes. Human actions and behaviours affecting the environment should be analysed from the angle of their own context. Understanding the context of an organism behaviour within an environment is the first step in explaining the relation between the environment

⁹ Cities in China are often divided into tiers according to their GDP, level of political administration, and population.

and the organism. Thus, EP also considers the context of behaviour in connection with environments. EP is concerned by the influence of design (i.e. environment) on people and how it can be adapted in order to meet its intended purpose to full extent. Improving the setting will boost the



Figure 10. TMW's Environment Understanding (TMW, Educational Model, 2017b)

performance of the users or wellbeing of the inhabitants. Considering the aforementioned information, EP, an area of psychology, can be defined as “the study of the molar relationships between behaviour and experience and the built and natural environments” (Bell, Greene, Fisher, & Baum, 2005, p. 6). This discipline and its research are mostly employed by environment protection associations and organizations, behavioural scientists in their experiments or architects in designing buildings with an increased level of facilitating behavioural functions (ibid.). But TMW uses EP for a completely different purpose, though still in connection with the interplay of the environment and the individuals who live in it. Even the perspective of engaging EP concepts in TMW events and services is different as they do not attempt to create a completely new environment to serve a certain goal, and, in this case, language acquisition. On the contrary, their principle is that the environment, be it home, workplace, hospital, public spaces, etc., influences people from various angles: mental state, perception, attitude, and behaviour, as well as the results of any process that takes place within specific surroundings. Considering this effect, people can adjust their environments in order to instigate a positive impact of the surroundings towards their lives. Thus, people can reduce stress by altering the place around them, increase its potential effect, all in all make it more suitable for living. Furthermore, the environment also affects people’s characters and behaviours (TMW, 2018b).

TMW takes into account all these facts when developing and delivering their services. From the company’s EP perspective, an environment is not only the composed by the physical space, but also by the social factors, i.e. people. Only by adjusting the physical environment the learning outcomes can be increased by a 25% rate. This altering refers to the furniture, its layout, the colours used, temperature, acoustics, and lighting of the space. For instance, uncomfortable furniture can make people lose patience, but using vivid colour may awake interest (Deacu, 2018b). Consequently, employing EP concepts renders TMW’s uniqueness in the industry, and (possibly) a competitive advantage in front of the other ELT providers.

4.6 English Language Acquisition in China

The main services provided by TMW gravitate around English learning. And for this reason and the importance of the context as discussed in the previous sub-chapter, understanding the environment of this industry in China is deemed necessary for positioning the company in the market. China, the

country with highest number of population in the world (i.e. 1.37 billion people, equalling 18.7% of the global population), enjoys one-fifth of Fortune's Global 500 top with its own companies. Considering the internationalization process of Chinese MNEs, English became a necessity for these corporations to do business on the global stage. Nevertheless, English fluency of Chinese does not reach the businesses' or government's expectations. There are various reasons for justifying this situation. First of all, English education still represents a novelty, since in 1979 China just opened its borders through the Open-Door Policy (改革开放) and established diplomatic relation with the US. Secondly, until a few years ago before the firms' internationalization intensified in China, English was not considered necessary¹⁰. Even until now, with such a growing economy, China provides plenty of inland jobs where English is not a requirement. However, this aspect is changing, and more Chinese graduates prefer working for international companies where English can be the organization's official language. Lastly, the English teaching methods in Chinese schools are based on memorization because the aim is to score high on tests the students are prepared for, in order to receive more incentives for the schools. This method led to a high number of Chinese students with grammar knowledge and memorized vocabulary, but inexperienced in actually using this theoretical knowledge (VoiceBoxer, 2016). China is not the only Asian country focusing on grammatical rules than on interactions. Moreover, students have no opportunities of practicing their English outside classes (Wei & Su, 2012; 魏 & 苏, 2008). The English education in Hong Kong, South Korea, and Japan are quite similar, too (EF, 2017b).

This English studying method and situation require clarification between two concepts. Stephen Krashen, a linguistics researcher, pointed out that *language acquisition* differs from *language learning*. The former process is "subconscious. We are generally not consciously aware of the rules of the languages we have acquired. Instead, we have a 'feel' for the correctness. Grammatical sentences 'sound' right, or 'feel' right and errors feel wrong, even if we do not consciously know what rule was violated". As for learning, it is defined as "conscious knowledge of a second language, knowing the rules, being aware of them, and being able to talk about them. In nontechnical terms, learning is 'knowing about' a language, known to most people as 'grammar' or 'rules'. Some synonyms include formal knowledge of a language or explicit meaning" (Krashen, 1982, p. 10). Thus, the methods used by the Chinese schools in teaching English relate to the second concept of language learning. However, the most efficient way of acquiring a foreign language is receiving a great deal of input, but also having the change of creating output. And this exchange of input and output can be achieved through interactions which are fundamental even from the beginning in setting up the foundation for the second language (Galloway, 2017).

The largest and only national investigation that was ever done in China to get a glimpse over the language learning situation (including English) in the country took place more than two decades ago

¹⁰ For an overview of the English language evolutions within the borders of China, see Appendix 11.8 English Language in China's History

at the initiative of the Ministry of Education (MOE). However, Chinese sociolinguistic researchers believe that its results are still relevant to some extent nowadays (MOE, 2005). The Survey of Language Situation in China (中国语言文字使用情况调查) analysed a sample of 475,000 respondents. The selection method was random and spread across mainland China. Due to several delays, the survey was only completed some years later. As for the results, anything might still be true for a restricted area, but not at a national scale anymore because of China's uneven economic development and different education plans. In seven major cities, i.e. Beijing, Shanghai, Chongqing, Tianjin, Shenzhen, Guangzhou, and Dalian, which are believed to have achieved the status of 'international city', the English proficiency level of these Chinese citizens is higher due to more opportunities of using this foreign language. Also, these cities possess more intensive ELT reforms, particularly the cities that have the status of a province, thus reporting directly to the national government (also named *zhixiashi* 直辖市). Moreover, the survey discovered that students are more likely to be the group that uses English the most, however, this use is relatively limited. During their daily lives, using English did not represent a need for the majority of the respondents, even in larger cities (Wei & Su, 2015). Another study from 2003 showed the concern of Chinese citizens towards the decreasing standards of Chinese proficiency as a cause of English learning. But at that time, because of the limited opportunities of using English, this statement could not prove its validity (王, 2003). The main discovery of the national survey is the unbalanced English skilled Chinese citizens developed. Thus, they tend to have better reading skills than speaking. This is believed to happen because productive skills, like speaking develop at a slower pace than the receptive skills, e.g. reading. The second reason can be that the ELT focuses on theoretical knowledge, disregarding listening and speaking skills development (Wei & Su, 2015; 魏 & 苏, 2008).

Another important issue to be considered in understanding the English learning situation in China is the lack of confidence of students. Many foreign assistant language teacher (ALT) for English courses in China have noticed this. Moreover, the students are afraid to give a wrong answer in case they are not sure. That is why they do not even dare to make a guess. One ALT's story pictured a primary school student going through such an embarrassing moment, and the classmates trying to help the student and to save face were shouting the answer. The atmosphere of studying a language and its conditions are very important to the process (O'Connell, 2016).

A 2017 online survey of 2001 respondents undergone by China Youth Daily Social Survey Centre (中国青年报社会调查中心) expressed Chinese people's concern regarding the ELT methods, blaming the lack of practical training of English language skills and demanding for more practice within listening and speaking language. As stated before, respondents also expressed their lack of confidence in their English knowledge, especially in conversation, as a consequence of the current teaching methods (中国青年报社会调查中心, 2017).

Since the 2000s, the Chinese government took the initiative to improve its citizens' English proficiency because their level of English is not as high as China's expectations to meet the demand for English talent. In fact, despite having more than 10 years of English learning experience on average, many Chinese are not proficient and may even lack confidence in their knowledge (Liu W. , 2016). Thus, in 2001 English became a compulsory language for all students from the 3rd grade on (Lo Bianco, 2009). Furthermore, China's Ministry of Education has been working on compiling a general assessment grid for English that could be used by all public schools in China. This scale will be similar to international standards, like IELTS or TOEFL, and will comprise 6 levels divided as follows: 1 and 2 to assess the primary school level, 3 and 4 for middle school and high school, 5 and 6 corresponding to the tertiary education. However, this plan has just been finalized, but it is expected to be implemented by 2020 (Liu W. , 2016).

Despite China's attempts to improve its nations' English skills, the country is still classified under low proficiency by English First (EF, one of the largest international education provider in the world) English Proficiency Index (EPI) score of 52.45 in the world's largest ranking of countries by English skills. This top created by EF comprises 80 countries, amongst China ranks 36, and number 8 from 20 Asian countries (EF, 2017a)¹¹. For the sake of improving this score, practicing conversations and focusing on communication skills instead of theoretical knowledge will lead to more effective English education (EF, 2017b). To restructure the entire national system and train English-teaching professors for this purpose can be expensive and time-consuming for the government. But a large Chinese labour force fluent in English is needed by the country especially since 2013 when the contribution of service sector overpassed the manufacturing industry's share to China's GDP. Consequently, replacing the economy's driver with services will need an English skilled workforce. And China is pursuing this direction, emphasizing the importance of English language proficiency and gradually shifting towards teaching methods based on communication and interactions. English skills are not needed only inland for job opportunities or outwards foreign direct investments, but also for travelling. In the past few years, foreign countries have experienced a big wave of Chinese tourists. As per 2016, more than 100 million travel visas were issued for Chinese citizens. Being able to speak English at least at a conversational level proves very beneficial when travelling to any country abroad (EF, 2017b).

Since research and innovation go hand-in-hand, and universities represent an important source of research regarding various disciplines, in 2001 China's MOE released a plan aiming to provide more English-taught (or other foreign language) undergraduate programmes (5%-10% of the undergraduate curricula of each institution) in the highest placed Chinese universities. The intention is to compete with academia on the global scale and increase the prestige of Chinese universities, as well as to encourage innovation. Moreover, more and more Chinese students are studying overseas in order to

¹¹ See Appendix 11.9 China's English Proficiency

become a competitive talent on the job market. But many parents do not wait until they reach that age to let their children study English (Galloway, 2017). In addition, the parents' satisfaction level with the quality of the English courses held in public schools is relatively low. That is why many of them opt for paid extracurricular English classes (EF, 2017b; Sina, 2010) to give their children a competitive advantage besides the public education system (魏 & 苏, 2008). Thus, the number of such private English learning centres in China is constantly increasing, and recently expanding into tier-2 cities and countryside due to booming demand (ibid.). Many Chinese children start from a very young age, i.e. 2–3 years old, to study English in such institutions (Galloway, 2017). Currently, the ELT market is estimated by China's MOE at approximately 400 million Chinese learning English (more than the population of the US, 323.1 million in 2017¹²) with a value of RMB30 billion (USD5 billion) as per 2016 reports (Liu W. , 2016). In the next 10 to 15 years, the British Council estimated that this market will reach 2 billion English learners in China (Graddol, 2006).

4.7 Market Segmentation

In order to identify the relevant customer segments TMW should target in China, market segmentation technique will be employed. Thus, this chapter lays the foundation for understanding this method and its applicability. **Market segmentation** represents a complex procedure engaged to distinguish particular segments in a country or region. The purpose is to evaluate the potential customers for a certain product and categorize them according to similar attributes that may be used later amid a specific purchasing process (Krumar & Nagpal, 2001). This step of grasping and analysing the importance of the segmentation is considered an important step that should take place before starting to compile the company's (global) marketing strategy regarding a new item that should be launch. In order to reach a certain degree of relevance and effectiveness, undergoing a market segmentation should fulfil four principles: (1) measurability, which refers to quantifying the purchasing power of a customer segment; (2) accessibility, which concerns the easiness of approaching and reaching the customer segment; (3) profitability or substantiality, that measures the size and profitability of the segment; and, lastly, (4) actionability, which regards the effectiveness of planning a marketing strategy and applying it within the limits of the company's assets and resources (Hollensen, 2017).

Following these four main criteria for assembling a viable market segmentation is fruitful in deciding upon and identifying the appropriate customer groups that TMW should focus on. Besides, this kind of market research is recommended by Lean Startup theories, too. The results of segmentation and screening can be used in further maturing the market strategy as well as shifting the target towards



Figure 11. STP Model (Hanlon, 2017)

¹² According to World Bank data at <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=US>

relevant customer clusters. Determining the right segments helps to better understand the customers and find the suitable way of approaching them. Consequently, market segmentation is the first step taken towards this direction, which will then lead to the next two phases, targeting and positioning. This 3-stage model of Segmentation, Targeting, and Positioning (STP) is broadly utilized in the global business world and it involves three main levels to building a strategic marketing plan (Hanlon, 2017). The first step in compiling a market segmentation is to determine the characteristics of each customer cluster. This represents the grounding of the process. Once the similar features were identified, the company can move forward in preparing for the second phase, targeting, by measuring the potential of each individual segment and their drawing power (or pull force). The aim of this task is to remain with the segment(s) that exhibit(s) the highest potential for a certain product. During the last stage of positioning, a thorough marketing mix plan is produced for each single market segment, as their characteristics are differentiated (Hanlon, 2017). This marketing mix plan will include the different marketing tools and approaches a company will employ to target and connect with a specific customer cluster. Sometimes finding the right formula to interact with the potential clients is the key to a successful business (Ready, 2011).

Market segmentation is undeniably the most effective approach “to understand customers better” (Badgett & Stone, 2005, p. 103). Integrating segmentation at all the levels of an organization results in higher revenues, but also a higher customer retention since the business uses the most appropriate way to target the customers who exhibit the highest potential for a certain product or service (Badgett & Stone, 2005). Furthermore, identifying more features and segmenting the customer base according to these characteristics leads to more trustworthy results. This approach is called multi-dimensional market segmentation. Depending on the company’s resources and objectives, different dimensions, such as demographic, geographic, motivation- or value-based, can be employed. The more types of segmentation are used in the research, the more specific the conclusions will be. Moreover, for such a large country as China, there are striking differences between its regions and provinces. One helpful way to look at this market is by considering a conglomerate of more countries due to its diversity of customers (Erickson, 2017). Thus, to meet the research objective of this paper, the following dimensions will be engaged: time, geography, demographics, motivations, and values.

4.7.1 Geographic Segmentation

This type of market segmentation is one of the most commonly used dimension to divide a market based on the potential of the location (Herbert, 2012). Geographic segmentation is the basics in terms of segmenting and analysing different countries’ markets. Pursuing towards this direction, there are several well-known models which evaluate the various aspects of a geographic location, e.g. from different perspectives like legal, political, environmental, and other aspects of the business (Kumar & Nagpal, 2001).

Normally, the STP model is utilized together with the SWOT (Strengths, Weaknesses, Opportunities, and Threats) matrix when preparing a marketing strategy. The SWOT grid distinguishes two kinds of factors: internal (belonging to the organization, i.e. its strengths and weaknesses) and external (characterizing the environment the organization is acting within, i.e. the opportunities and threats of the business). The popularity of this tool stands in its simplicity of identifying opportunities for the company's further improvement amid the product lifecycle, and of measuring its competitiveness in the market. Ordinarily, this model is used in the initial stage of a broader market analysis (FME, 2013). In order to understand the external environment of a geographic location, the PESTLE analysis offers a comprehensive overview by taking into account six aspects: Political, Economic, Social, Technological, Legal, and Environmental (Frue, Bush, Kaplan, & Makos, 2017). These two tools are generally employed jointly in a market research. There are various reasons for this decision, depending on what the firm's research objective is. Nevertheless, PESTLE tool and SWOT grid provide a solid and feeble way to understand the organization's advantages and disadvantages within a market, all in a time- and cost-efficient practice (UNICEF, 2015).

The third tool used in the analysis of the geographic segmentation is by identifying the power balance and its distribution through Michael Porter's Five Forces. The potential and profitability of a business in a market are analysed by taking into account five forces: the threat of new entry, of substitution and of supplier power, competitive rivalry, and buyer power. The answers to this analysis assess the company's gainfulness and strengths within a specific industry. The findings will turn into the firm's favour by adjusting the balance of power (Porter, 1979).

Employing these three tools results in an effective geographic segmentation which in turn will single out into the areas which exhibit the highest market potential for the company's product(s). Dividing Chinese customers into segments can mean by region, province, areas (coastal or inland) or tier-level cities. Different locations in China can be translated into discrepancies in economic development, income levels, population and so on (Daxue Consulting, 2015). In light of these discoveries, a further division can be undergone by applying different dimensions of segmentation.

4.7.2 Multi-Dimensional Customer Segmentation

China has been changing from a top destination of foreign investment to a large consumer market with numerous opportunities for MNEs. But China's continuously evolving economy and the diversity of its consumers require a marketing strategy tailored to its characteristics (Schmitt, 1997). Additionally, proper research to determine the demand capacity for a certain product or service is essential in succeeding in the Chinese market. For these reasons, besides the necessary geographic dimension, this research calls for a multi-level segmentation approach in order to comprehend the potential consumers' profiles and the proper way to target them (Cui, 2009). The extra effort needed in preparation will result in a higher customer number, as well as leads and sales.

This form of marketing analysis, *customer segmentation*, was first introduced by American marketing specialist Wendell R. Smith in 1955, and this concept's definition relies on the process of "classifying customers by their value, demands, preference and other factors in the circumstances of clear organization strategies business model and targeted market" (Wu & Lin, 2005, p. 316). This paper also attempts to identify the similar features of potential customers and categorize them according to their profitability into (a) highly profitable, (b) profitable, and (c) unprofitable customers. Each customer segment and category necessitate a unique targeting strategy. Even though this process may sound laborious and time-consuming, the gains are valuable for the company, e.g. a stronger competitive advantage of the firm by understanding the customer's purchasing determinants and motivations, which lay behind their characteristics, as well as attracting loyal customers and predicting the buying behaviour of the relevant customer segments (Badgett & Stone, 2005).

A multi-dimensional segmentation approach is a comprehensive analysis method which engages more types of segmentation, such as demographic, needs-based, value-based, etc. (Badgett & Stone, 2005).

Factual and demographic segmentation

This kind of segmentation is fundamental in any market analysis and it helps classifying potential customers by several variables. In shedding light upon the present research, due to differences in purchasing habits (Daxue Consulting, 2015; Badgett & Stone, 2005), the Chinese customers will be categorized into segments by age, gender, education, and occupation.

Time-based segmentation

This segmentation incorporates time-related processes and events, incorporating (a) the customer lifecycle, which refers to the point in time and the kind of customer that ought to be targeted; (b) recurrence of purchasing that stands for the amount bought and the frequency of this event happening per customer; (c) channel decision, meaning the method of purchase; (d) customer life stage, referring to the customer's stage in the purchasing process. The external factors that impact this time frame are also important in undergoing the time-based segmentation (Badgett & Stone, 2005).

Psychographic segmentation

The sub-types of psychographic segmentation engaged in this study to determine customer segments within the Chinese market are values, needs, motivations, and attitudes. Since needs can be the drivers of motivations, a business can better target a product by understanding these key variables which in turn determine the buying decisions (Hague, 2017). In addition, the value-based segmentation, also called profitability segmentation, is inter-related with the needs and motivations of customers that stand behind a purchase, including the price paid for a product or service and the share of wallet (Badgett & Stone, 2005; 4imprint, 2015). In connection with this kind of segmentation, the attitudes of potential Chinese customers towards the industry, TMW's services are also considered. This translates into *attitudinal segmentation*.

The importance degree of these variables for customer segmentation varies depending on the research study. But the more variables are utilized in a market analysis, the more specific the customer data will be at the end of the multi-dimensional segmentation funnel. Thus, the results can be easily employed in targeting the right customers through carefully thought marketing activities. This step falls within the second stage of the STP model, i.e. targeting. Consequently, an effective market segmentation greatly influences a firm's success, and understanding the representative of the demand side, the customer, represents its foundation. "By adopting a customer segmentation strategy, businesses will see a great increase in the value of their marketing" (Herbert, 2012, p. 5). Hence, this research approach serves the purpose and motivation of the present study.

5 Company Description

TianMei's World (Chinese: 天美的世界) is self-defined as an EP atelier. Moreover, TMW is the first and only consulting service company in China that considers the influence of the EP factors and concepts on language learning as well as self-development (TMW, 2018a).

5.1 History and Structure

TMW brand was created in August 2016 and the company registered as a wholly foreign-owned enterprise (WFOE) in April 2017 (Deacu, 2018a) by Adina Deacu (her Chinese name: 邱天美). It should be noted that since all the concepts and principles, which the services were developed on, derive from Adina's 10-year experience with language learning and EP, she is the branding image of the company. That is why her Chinese name (TianMei) stands for the firm's identity. Adina is a trained environmental psychologist with degrees the UK. She lived in seven countries and speaks five languages: Romanian, English, Chinese, Spanish, and Italian (TMW, 2018a).

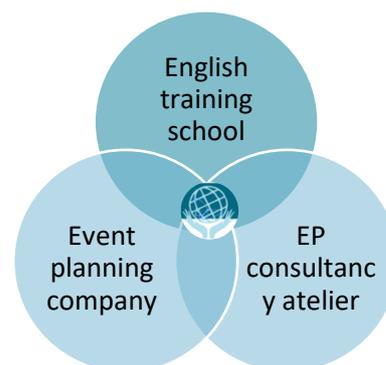


Figure 12. TMW identity (TMW, 2018a)

During her study year in Qingdao, China, she employed EP concepts to speed up the Chinese learning process, and to grasp as much knowledge as possible in a shorter time period than usual, all in an efficient manner and relaxed environment. Meanwhile, she observed the locals' struggle and memorizing method of studying English, which can often cause frustration from the student's side. This is the inspiration that determined Adina to create and found her company, TMW (TMW, 2018a). The management team is completed by Livia (Chinese name: 刘莹), the co-founder of the firm and a life coach with 8 years of international education experience and a degree in the English language. Livia also acts as a psychological counsellor within the organization (ibid.).

A firm's offerings determine its business type. However, placing TMW into a certain type of business is rather difficult. TMW is a unique startup located at the intersection of three identities: (1) English training school, (2) EP consultancy atelier, and (3) event planning company (ibid.). (See Figure 12. TMW identity). The shape TMW has taken today is also the product of the past 2 years of business activities and constant feedback from customers. Since TMW attempts to improve (Chinese) people's (English) language skills as well as self-development, the startup can be categorized as a social-purpose organization. By definition, such social entrepreneurship form aims to socially impact wildlife, natural environment, or in this case, a society, not only from an economic angle or consumption benefits (ICSF, 2016).

5.2 Principles and Concepts

TMW aims to create a relaxed environment anywhere in order to help people advance in their language learning process as well as improving themselves while overcoming obstacles, failures, and even their psychological effect, frustrations (TMW, 2018a). The educational principles of the firm are based on Adina's personal and professional experience, and her road to self-discovery.

The main principle that all the TMW's activities gravitate around is the classroom concept. Through their events, which take place in different locations (e.g. cafés, restaurants, museums, libraries, parks), TMW promotes the idea that *every place can become a classroom*; thus, breaking the traditional idea of a classroom. Amongst the local venues TMW collaborates with, the places of the events are carefully chosen according to EP factors (TMW, 2018a). The participants are given the opportunity of experiencing different 'study' environments and different ways of language learning, e.g. reading books, watching movies, discussing news, etc. In short, it can be described as a platform for the exchange of Sino-Western thinking.

TMW perceives *language as "a way of thinking", "a communication tool", "a representation of culture"*, and not a "purpose". TMW offers "an alternative way to learn, to practice the language because the language has been learned in the past" (Deacu, 2018a). By recreating the mother tongue acquisition process, TMW makes the learning process more interesting and relaxed (TMW, 2018b).

Individualization and *cultural diversity* are two other concepts promoted by TMW and utilized in their activities. TMW understands that every person has different learning methods. For this reason, the firm offers many kinds of events creating various environment, to let the participant discover the best-suited way for them to improve language learning and pursue self-development (ibid.).

After every service TMW provides, an observation phase is conducted in order ensure the long-term effectiveness of TMW offerings (TMW, 2018a).

5.3 Services and Customers

Until now, TMW has organized more than 500 bilingual events collaborating with more than 30 venues in Qingdao, Chins. The services TMW provides can be categorized into B2C and B2B, due to the broad applicability of EP in the business world. Since the B2B services are not fully developed and accessible yet, this study considers only the B2C segment. Thus, the services for individuals can be further divided into regular and irregular events. The latter category includes: (1) *self-development learning plan* customized to each person's needs and situation in order to discover their potential; (2) *time management plan* targets adults who feel pressured and confused about setting priorities to efficiently use and manage their time; (3) *rediscover oneself* refers to learning how the native family affects personal growth from the EP perspective; (4) *new method of solving problems* teaches the individual to understand and figure out solutions to a problem by looking at it from different angles and become

aware of others' way of thinking; (5) *take control of your life* by comprehending the psychological impact of different life stages or major events on our lives and finding a way to overcome these challenges; (6) *improve your relationships* through using non-violent and positive language to communicate with others (TMW, 2018a).

TMW also organizes regular bilingual events which focus on their driving principle that any place can become a classroom. Until now, only five types of events¹³ are frequently running (ibid.; Deacu, 2018a).



PechaKucha (PKN 20x20) is one such event which refers to the art of concise lectures, an event created in 2003 in Tokyo by German architects Klein and Dytham. This global activity (currently taking place in more than 920 locations) was adapted to the Chinese market by TMW. The program of this event includes a speech based on 20 pictures times 20 seconds comprising a total of 6 minutes and 40 seconds, to express the speaker's opinion regarding a certain topic.



Creative Mornings are a different way of spending a Saturday morning. Enjoying coffee and breakfast in a relaxed environment while stimulating inspiration and creativity through lecture series held by guest speakers with different professional backgrounds. This event is organized in other 151 cities around the world, and every month the events in all these cities follow the same topic. The purpose is to gain a broader understanding of various persons' point of views regarding a certain global topic while promoting diversity.



Monday Screening uses movies, especially documentaries, as a source for learning English and a way of improving thinking ability. Since the main topic is related to sustainability and environmental issues, the participants also grasp knowledge about sustainable development and improve their critical thinking skills.



Not Just Another Book Club teaches participants how to use their critical thinking skills in guessing the meaning of unknown English words by understanding the context. This method reduces the need to check the dictionary and makes English reading a pleasant activity. The participants, usually 15–20, then discuss the content of the books; thus, using the new works, expanding their vocabulary and practicing their language and critical thinking skills.



EP Outdoor Workshop is a two-hour event which takes place in different locations in the city of Qingdao. By understanding EP concepts, the participants can analyse a place from a more scientific perspective and ascertain how this environment influences their mood and emotions, or what elements causes them to like or dislike a certain space.

Figure 13. Logos of TMW regular events (TMW, 2018a)

¹³ For more details about the regular events, see Appendix 11.10 TMW Regular Events

The current individual customer segment TMW is targeting is between 25–35 years old (TMW, 2018b). This segment includes: (a) university students who want to gain a competitive advantage before entering the job market, (b) white collar young people who are looking for an international experience and create clearer life goals, (c) parents who are eager to create a better learning environment for themselves and their children, (d) entrepreneurs who wish to understand themselves, improve their entrepreneurial skills, and maintain a healthy mental state during their career path (TMW, 2018a). TMW reach their customers and keep in touch with them through TMW's WeChat accounts, where they post events notifications, as well as articles related to EP and Western mindsets to inform and teach their clients about their importance in language learning and self-development, which are interconnected by the inner motivation. In fact, from the psychological perspective, the intrinsic motivation is the driver for self-development and life-long learning (TMW, 2017c).

6 Analysis and Results

In this section, the focus is on TMW's strategic approach, value creation, and their implications in the product strategy. In order to create a suitable multidimensional market segmentation, both ELT industry environments in China, internal and external, and TMW's strategic business position are further analysed.

6.1 Positioning in the Target Market

A company's position within the industry it is performing represents a key aspect of developing a competitive strategy. According to Porter, "positioning determines whether a firm's profitability is above or below the industry average [...] the fundamental basis of above-average performance in the long run is sustainable competitive advantage" (Porter, 1985, p. 11). This competitive advantage was divided by Porter into two categories: lower cost and differentiation. By combining a company's competitive scope – narrow segment or broad market target – with its competitive advantage sources, Porter created four different generic strategies, i.e. (1) cost leadership, (2) cost focus, (3) differentiation, and (4) differentiation focus (ibid.). (See Table 1. Porter's Generic Strategies)

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership the company seeks to be low-cost producer in its <u>industry</u> → cost leader	2. Differentiation the company seeks to be unique in its <u>industry</u> along some dimensions which are widely valued by buyers
	Narrow Target	3A. Cost Focus the company seeks a cost advantage in its <u>target segments</u>	3B. Differentiation Focus the company seeks differentiation in its <u>target segments</u>

Table 1. Porter's Generic Strategies (Adapted from Porter, 1985)

The generic strategies determine different approaches in terms of business strategy. The cost-related ones gravitate around efficiency, outsourcing, offshoring, or innovation of processes. While the differentiation strategies focus on quality, product development, design, marketing, and branding. Furthermore, in order to gain the sustainability feature, a company should create barriers to be safer from strategy imitation by competitors (Porter, 1985). Regarding TMW, its competitive advantage is achieved through differentiation in market strategy, this stands in using EP concepts in teaching the English language, but also self-development, through various activities. This method provides a unique position in the ELT industry in China. In order to deliver a different alternative of ELT that brings unique customer values and subsequently differentiate TMW from the competition, all their activities and

services were developed especially for the Chinese market to meet the needs of potential customer segments – *value proposition*. Even though ELT industry in China appears to be a red ocean, TMW swims in a blue ocean due to its competitive advantage of delivering differentiated customer value propositions.

6.1.1 External Environment of China's English Teaching Industry

By applying the PESTLE framework, the external environment is analysed according to several macro-environmental factors. This is a commonly used framework in strategic management for the purpose of identifying the roots of possible opportunities and risks. PESTLE focuses on six factors, i.e. political, economic, social, technological, legal, and environmental (Witcher & Chau, 2010).¹⁴

Political factors

Since China aims to become a strong global economy, from a political perspective, English language skills are seen as the key to compete on the international stage. Thus, English is heavily promoted as a strategy to enrich the country's economic competitiveness. The historical moment when English gained importance in China happened in 1978 with the 'Open Door Policy', transforming the country into a market economy from a planned economy (Guo & Beckett, 2012a). The aim was not educational, but rather economic. The government's intention was to obtain foreign scientific and technological information more easily, that could be then translated from English to Chinese; information that was used to boost inland production. Nowadays, the purpose of English language learning by Chinese is to increase China's competitiveness amongst the economic leaders, according to the Chinese government. This use of English to support the economic growth, but also from an individual perspective for social mobility usage, refers to the linguistic instrumentalist. This discourse focuses on the utilitarianism of a language which can take the shape of different education policies and curricular reforms. In Shanghai and other Chinese large cities, the importance of the foreign languages is greatly emphasized for the economic purpose: "to develop world-class foreign language teaching programs in Shanghai is a prerequisite for turning the municipality into a world-class international metropolis" (Commission, 1999). Due to China's internationalization events, such as the admission to the World Trade Organization (WTO) in 2001, hosting the Olympic Games in Beijing in 2008, and the 2010 World Expo in Shanghai, the promotion of English language by the government intensified. Thus, in 2001, English became a compulsory foreign language for elementary school students, starting from grade 3, meaning 8-year old pupils. However, children have already voluntarily started learning English from an even younger age in private courses. Due to faster economic development of the tier-1 cities, like Shanghai and Beijing, in 1999 English have introduced in the curriculum for grade 1 pupils of only 6 years old (Guo, 2012b).

¹⁴ Relevant information regarding the political and legal implication in the ELT external environment can also be found in the following sub-chapter 4.6 English Language Acquisition in China

In short, the Chinese government perceives the importance of English language for their economic internationalization goal and their intention to be positioned as a global power (King, 2015). Through English language curricular reforms and policies, China seeks to reach the necessary internationally competitive English level to challenge the economic leaders in various industries (Guo & Beckett, 2012a). Moreover, since these are part of services sectors, the Chinese authorities have stressed the increasing contribution the tertiary industry brings to GDP and economic growth. Hence, further easing of regulations regarding service startup development is expected in the near future (IntraCen, 2011).

Economic factors

Since 1978 Deng Xiaoping's 'Open Door Policy', China has experienced impressive economic growth becoming the world's second-largest economy in less than four decades. China's transformation started with a position of mainly rural and agriculture-driven economy, and evolved in an economic giant relying on manufacturing, and recently on services (Bajpai, 2016). Since competition escalates in the labour market, Chinese have to seek for different ways to upgrade their resumes to be more appealing for job vacancies. Among IT and soft skills, English and other foreign language knowledge is heavily demanded in China (NZCTA, 2010). Despite the double education spending and surge of degree graduates number (1998: 1 million, 2012: 7.5 million), education does not meet the requirement of the labour market; thus, creating 25% jobless diploma holders of all the graduates in China (2012: 1.87 million) (Towson & Woetzel, 2014).

Since 2004, due to the *Private Education Promotion Law Implementation Regulations*, ELT private organizations have multiplied. Consequently, this industry has been growing at a rate of two digits during the past decade. This private training service market in China is still not mature. Moreover, there are many small players within this big industry, which brings an uneven competition across the country. But the ELT market seems to head in the right direction receiving more supervision and attention from the government to stabilize the rules of this booming industry (Wei L. , 2013).

The reforms of promoting the English language by Chinese authorities creates opportunities for the private education industry, too. Many parents are willing to let their children improve their language skills at a faster pace by enrolling them in supplementary courses or after-school training (Xiang T. , 2014). This trend creates a big demand for ELT courses, similar to TMW's services. In fact, shifting towards a consumerism society, amongst the highest spending (clothes, food, and housing), Chinese people also prioritize education. And considering the large population, the demand for private education and training agencies is of impressive size, too (Wei L. , 2013). Thus, English skills are seen as a preferred asset possessed by the Chinese middle class (Neubauer & Zhang, 2015).

In 2015, China's ELT market was worth RMB1.6 trillion (approx. USD240 billion) and it is estimated to reach RMB3 trillion (USD450 billion) by 2020 (Benji, 2017). Despite the economic growth slowdown, the demand for more specialized English language courses (e.g. interview or meetings in English)

increased. This is sustained by the young adults aging between 18 and 30 years in the pursuit of advancing their careers (Gamlam, 2016).

Social factors

In the Chinese perspective, English is a must-have skill in order to strive for a well-positioned job, which grants financial security, but also social status. Chinese graduates with English skills have a higher probability of finding decent employment, especially in foreign companies or joint ventures, enterprises that offer higher salaries. This can be seen as a motivation to learn English, but a share of Chinese students perceives it more like a pressure. Nevertheless, English is certainly seen in China of great importance to one's resume that will lead to success. Thus, English does not only have an economic value for China, but also a social value (Guo, 2012b). English is compulsory for students to be admitted at higher education programmes in China and abroad, but it is also necessary for young workforce to get a higher paid job, a social position, to pursue white-collar professions. But their English proficiency seems to lack behind these requirements. To improve its quality, a private additional market emerged in the ELT industry (Neubauer & Zhang, 2015).

China's middle class is continuously increasing, while the standard of living and disposable income are also improving, due to the country's unceasing economic growth. It can be said that its economy becomes more mature, with a present focus on services, technology and innovation, but also skilful local talent. In order to meet these economic expectations, Chinese people invest more and more in education to build up on their skills and achievements (Benji, 2017). In 2015, it was estimated that every Chinese family spends 30% of their cumulative income on education, placing China ahead of Japan (10%) and Korea (22%) (ES, 2015). Moreover, 75% of the parents are willing to enrol their children for a higher education programme abroad to improve their English skills. Thus, the majority of Chinese attach great value to English language (AEI, 2006). According to ICEF Monitor¹⁵, education is the top priority for Chinese, even ahead of real estate or retirement savings. Every 20-year old Chinese invests in education approximately half of their per capita consumption. The education spending share is expected to further increase in China because of the forecasted surge of 50% of the working middle class from urban areas by 2030 (Dezan Shira & Associates, 2016). These expenditures imply that the Chinese understand the significance of English language skills in China's competitive labour market, but also its contribution to personal development. However, a percentage of Chinese argue that not having daily opportunities for using English is the main determinant for low proficiency (King, 2015).

In China, there has been a misconception around the English language teaching. Apparently, many Chinese, students as well as teachers, consider the native speakers as being the most appropriate persons for teaching English and even better suited than a trained (Chinese) English teacher. Though,

¹⁵ ICEF Monitor is a market intelligence resource organization designed around the international education and student travel industry. For more information, see www.monitor.icef.com

linguistics researchers call for teaching methods adapted to the Chinese culture in order to break this belief of idealized West (Guo, 2012b). Localized English courses can be more suitable for the Chinese market. And precisely, this is the purpose of TMW, rather than just importing reading materials and teaching methods from the West.

Technological factors

Technology is another area greatly emphasized by the Chinese government to advance and continue its economic growth. This factor also influences the ELT industry. Thanks to technology, Chinese people have a greater access to English content, materials, and learning methods. For this reason, Chinese youth and young adults prefer online courses, rather than the traditional memorization method used in schools. The first option means large platforms where Chinese can interact with various persons around the world, including English native speakers. Thus, many private and public schools, as well as agencies have begun to provide English online courses, due to the increasing demand of this segment (Perez, 2016).

Since Chinese become more receptive regarding the acquisition of online education, this market is expected to experience a strong growth in the years to come (Xiang T. , 2014). Considering China's low scored English proficiency, online education might be a solution to improve this situation. Additionally, through this teaching manner, institutions and private agencies can reach a larger customer segment, including tier-2 cities and even remote areas in the countryside. Making the English language learning more accessible can increase China's proficiency level. Besides, this market segment was already estimated at 67.2 million online learners in 2013 (King, 2015). The most recent report assessed this market in 2017 to have reached 110 million, continuing to maintain a double-digit growth for the past 7 years. Moreover, it is predicted to continue growing at a 20% rate comprising RMB270 billion (USD41 billion) by 2019. Nevertheless, the online-only education still possesses a small share compared to the offline education, and this situation is not expected to change in the near future (Crace, 2018). Beijing-based professors and experts point out that this *momentum-gaining online education* just provides more learning options for a larger audience supplementing the offline education, but they suggest a *personalized content* to individual needs and wants, and also lifelong development aspects because they believe Chinese, especially the age segment below 20 years old, seem dissatisfied with the standardized educational content and learning methods (Yang & Du, 2018).

Legal factors

Since Chinese government looking to promote English language inland in order to boost the economic globalization, the MOE published a new document in January 2001. This document entitled '*Guidelines for Promoting English Teaching in Elementary Schools*' focused on promoting the productive skills learning (communication), rather than before when it emphasized the receptive skills (reading). Two years later, a new curriculum regarding English language was issued for senior secondary schools with the purpose of also increasing students' cultural awareness and boosting other humanistic goals, e.g.

confidence. These targets regarded listening and speaking with higher priority. The latter initiative was taken because of students' lack of confidence in their English knowledge and fear of speaking. Since traditional English teaching methods focus on grammar and vocabulary memorization, communication skills were overlooked for a long time. Therefore, the national government attempts to remedy this situation through reforms in order to fully prepare the country for global economic competition (Guo, 2012b).

English is compulsory to be admitted at university in China. Therefore, students are prepared to pass the entrance examinations which include English. In 2011, the Chinese government even pushed forward a policy to implement more university programmes fully taught in English in various domains, e.g. economics, finance, law, information technology, and biotechnology (ibid.). However, probably due to a fear of losing national identity by emphasizing English language education too much, some provinces in China have taken a U-turn from this direction. For instance, precisely in Shandong province, where TMW operates, the English listening part was excluded from the Gaokao test, China's national entrance exam for higher education. A percentage of Chinese, especially older generations, have expressed their opposition regarding English language promotion in China. The news of English negatively impacting Chinese language surfaced in 2015 by some state-owned editorials (King, 2015). Meanwhile, all these reforms and regulations, either in private or public education, are believed to stimulate variety in terms of education, but also spur the industrialization. Furthermore, this trend provides opportunities for development (德勤, 2016).

Environmental factors

Environment represents another area where China would like to take the lead by promoting the country as a leader in environmental protection and an initiator in solutioning the climate change problem. In order to set an example for other developing economies in this area, but also to upstage leading developed economies, English also represents an important asset to reach the desired position on the global environment protection stage. The most important step was when China became a signatory member of the 2016 'Paris Climate Agreement', a global plan promoted by most of the countries to tackle the global warming. Moreover, China's 13th Five-Year Plan (FYP) (2016-2020) focuses on energy and environment, including various goals, e.g. reducing the CO₂ emissions by 18% per GDP unit (Hu, 2016).

To let the world know about China's progresses in this area, various publications are made. But to make them accessible, such news, policies, public statements, and journal articles should be written in English. For this purpose, English is also seen as the key medium to achieve certain goals set by the Chinese government. Therefore, English is promoted in this area as well. That is why the number of journal articles written in English by Chinese researchers has surged. This phenomenon is motivated by the government's ambition of creating an "international impact" (Matthews, 2016). The Chinese

journals still hold the majority, but many authors have also started adding an English abstract to their Chinese papers to attract foreign readers (ibid.).

6.1.2 Competitive Environment

Once the micro-environment was evaluated, through [Porter's Five Forces](#) a competition overview is an essential strategy development approach when preparing for expansion. This framework grades the competition level by assessing the attractiveness of the ELT industry in China and potential threats posed by the competitors' presence in the market (Johnson, Scholes, & Whittington, 2009; Johnson, Scholes, Whittington, & Pyle, 2011). According to Porter, the competition lies within five basic forces, i.e. buyers, substitutes, potential entrants/new competitors, suppliers, and market competitors. Altogether, these competitive forces dictate the potential profit of a certain industry (Hollensen, 2017). *The threat of potential entrants/new competitors* is graded at a medium level for TMW since the market entry is relatively easy for Chinese-owned firms. The foreign-owned companies experience more obstacles, but since China is looking to improve the country's English proficiency level, the business registration rules might relax even more in the foreseeable future.

In 2008, there were more than 50,000 companies operating in the traditional ELT market, which renders a high saturation. However, the ELT sector for children is expected to continue expanding due to the parents' increasing demand to invest in their children by supplementing the compulsory education (NZCTA, 2010), a method to give them a competitive advantage in the large labour market (Benji, 2017). Regarding the online education, in 2014, 1,000 such startups were counted in China. Nevertheless, this new trend appears to still be inefficient for Chinese providers, which ask for high prices, due to the failure of finding appropriate ways for targeting a larger segment. While other startups took over the Western models of online education platforms such as Coursera and Skillshare (Xiang T. , 2014). However, TMW promotes a differentiation-based business model which can sustain their competitiveness. As opposed to Western competitors or Chinese firms that copied the Western models, TMW uses Western teaching methods adapted to the Chinese market. Moreover, their unique business concept gravitates around the EP, which is employed in developing their services and events. Additionally, as experts pointed out, customization and self-development will become more requested by the pressured young Chinese working class. Lastly, TMW targets (young) adults, compared to most other ELT firms and private school that focus on toddlers, children, and pupils' segments. Thus, TMW possesses a competitive advantage in this regard since self-development is a key objective of their events, and personalized courses are their main service (Deacu, 2018a).

The threat of substitutes can provide a double-folded interpretation for TMW. On the one hand, it can be high because the ELT market in China is a red ocean with many competitors of different sizes, especially small ones. This creates a very segmented industry. Furthermore, main Western players like the British Council have also started to perceive the potential of targeting adults in China, by

developing flexible offline English courses to appeal the working force (e.g. myClass provided by the British Council) and focusing more on daily conversation topics experienced at the workplace; this emphasizes the communication skills greatly needing improvement in China. Just like Adina (Deacu, 2018a), they also believe that the English has been learnt, but Chinese just lack in confidence and communication opportunities (British Council, 2017).

On the other hand, the threat of substitutes can also be rated as low since English, and not only, is widely requested by the labour market in China. Thus, the demand for such courses will not decrease; on the contrary, it is predicted to expand further. Additionally, TMW uses EP concepts in the development of their services, which renders their unique feature in the ELT industry and assures them a potential market share by debunking the traditional definition of *classroom*. Moreover, the teaching methods promoted by TMW can be used with any other foreign languages (TMW, 2017c).

Bargaining power of suppliers is relatively medium since the number of players is high, meaning the industry is still attractive. Moreover, the suppliers can charge high prices for the ELT courses. Even though Chinese customers used to have a high price sensitivity, the external factors pushed for a large demand in this market; thus, placing importance on the quality of the education as an asset for personal and professional development ahead of the cost. But keeping competitive prices can attract a loyal customer base to TMW business. The quality of services is difficult to be evaluated by the potential customers. Nonetheless, the valuable feedback and ratings of TMW's activities and services provided by the current clients can attract buyers in such a competitive market. This is the only way to assess a service provider in any industry.

Bargaining power of buyers is at medium-low level since the Chinese government can greatly influence the demand for ELT courses through job market requirements and higher education entry exams. However, the industry is highly competitive. The customers' impact on pricing is relatively insignificant, but significant on the demand side. Chinese value Western quality experienced through education (Benji, 2017). However, once the available options will multiply and diversify, the bargaining power of Chinese buyers may increase in the future once the market reaches its maturity and develop its sub-sector of online ELT education.

Intensity of rivalry /TMW's competitive rivalry is moderately high because of the nature of the market being driven by demand. This characteristic has attracted numerous private ELT institutions spread all over China. As per 2013, there were approximately 120,000 such firms operating in the Chinese market (Wei L. , 2013). Amongst the many local training companies, well-known foreign institutions (e.g. Wallstreet English, Clark Morgan, Disney English, and EF English First) contributed to the Chinese ELT market, too. However, there are also a few thousands of unregistered (illegal) ELT firms. Despite the huge number of players, dominated by small firms, the ELT market in China is not completely mature (NZCTA, 2010). Thus, the competitors can be divided into 3 categories: Chinese/locals, foreign giants, and unregistered companies. Because of competition, some small firms have encountered problems

in Beijing and Shanghai, forcing to close their business due to their inability of attracting students (Thorniley, 2010). The degree of rivalry is also uneven across China, since most of these institutions established in tier-1 cities, overlooking the rest of the country. The emergence of online ELT companies adds up to the intensity of the competition. These new players, or well-established firms that expand in the online education market, can tap the industry throughout the entire surface of China, since the demand continues to grow in the tier-2 and tier-3 Chinese cities. An opportunity estimated at more than 618 million internet users (and 80% of the users are also categorized as internet mobile users) that was seized by several companies, including iTutorGroup (Technavio, 2015)¹⁶.

6.1.3 Strategic Business Position

SWOT analysis proves its usefulness in identifying the internal strengths and weaknesses of a business, as well as the external factors comprised of the opportunities and threats (Jobber & Fahy, 2009). By analysing the internal and external environment of a company through this matrix, its strategic business position is evaluated (Johnson et.al., 2011). Considering its weaknesses and threats, the firm can use its strengths to overcome these obstacles or diminish them, while profiting from the opportunities the external environment offers (Wehrich, 1982).

Strengths

In China's ELT industry, customers place a great importance on three factors when choosing a training centre, after-school, or a private institution for English courses. Firstly, the *reputation* of the service provider should render an attractive image with qualitative services and qualified personnel, which attracts more clients. Secondly, everything *foreign equals to quality* in the Chinese perspective, though this perception is slowly changing. Thus, promoting the foreignness of the courses (e.g. Western teaching methods, international perspective) can increase the customer base. Lastly, *customisation* seems to have gained priority for the Chinese customers. They understand that tailored courses can focus on their own specific issues, which lead to better results. Moreover, customized courses are also seen as a comparative advantage for the Chinese eager to improve their skills at a faster pace than others. English is not the only aspect that young Chinese people strive to enhance, they are constantly looking to develop new skills (e.g. time management, self-confidence) with the final purpose of becoming more competitive on the local labour market (NZCTA, 2010; OECD, 2016). TMW provides all these services at once, in the same place. Through their activities and courses, people can improve their (English) language skills, time management, self-confidence, planning, etc. This is what makes TMW unique in the ELT market. Moreover, using EP concepts and techniques add up to their selling point for self-development and language learning. TMW's services represent their main strength in this industry (TMW, 2017c).

¹⁶ For an overview of the strongest competitors (Chinese and foreign), see Appendix 11.11 TMW's Competitors in China

Weaknesses

TMW offers many services, which can take the shape of (regular and irregular) events and one-on-one courses. The company is still in its startup or survival stage as it has not reached the growth and establishment phase to become profitable. As Adina mentioned, TMW is “prototyping” with its products (Deacu, 2018a). Thus, it seems that the company is following a Lean Startup model by engaging in agile product development, meaning the products are incrementally evolving and constantly tested (Ries, 2011; Blank, 2013b). However, this approach may give the impression that the services are not well-defined, and it can raise confusion amongst customers. Moreover, a clearer purpose of the company will shed light on their offerings. Even some of the current customers find it difficult to define TMW and its goal (天美的世界 研究项目 2, 2018).

Another weakness is TMW’s lack of *staff and funding*. These two factors influence the events and the services provided, especially in terms of frequency. However, the founder is aware of this aspect. That is why a volunteering internship programme was created. *Work and Learn* give people (mainly students) the opportunity to gain work experience in a unique company, understand the Western thinking and teaching methods. In return for their contribution to the company, customized services can be provided: self-development plan, career guidance, workshops, time-management, English skills improvement, communication skills (sales and negotiations), psychological counselling, and other discounts (Deacu, 2018a; TMW, 2017a).

Currently, TMW’s activities are only restricted to Qingdao. Thus, the target market is also limited due to its need of physical presence. Lastly, as a service provider, the results are intangible, and the quality of the products cannot be rated. This represents a challenge for the company, but the current customers’ feedback can diminish potential clients’ reluctance to try their services.

Opportunities

The demand for practical skills training, such as English, especially oral, as well as soft skills used in business is increasing in China. The reason is the companies’ request of skilled labour force, which drives the individuals to enhance their competitive advantage. And in most cases, Chinese tend to choose the foreign companies as these are associated with quality and Western teaching methods (NZCTA, 2010). By promoting these factors, TMW can improve its brand awareness on a larger scale and attract more customers. Additionally, Chinese prefer the firms which possess trained, professional staff because of the high number of small training companies with unqualified staff existing inland. Moreover, China has seen a growing demand for tailored courses for developing rare but sought skills as well as to overcome certain issues. If TMW meets these expectations, the opportunities in this industry are impressive, especially in the tier-2 Chinese cities where the competition is less fierce, but with a rising demand (ibid.).

Moreover, China’s training market is very fragmented, translating into opportunities for growth, but also room for new entrants. Meanwhile, the Chinese government is active in education reform,

particularly in regards to English language skills, while favouring some education organizations through supportive policies (Xiang T. , 2014; Dezan Shira & Associates, 2016).

Threats

Despite the education and training industry showing potential in China, the players may experience various challenges in the future due to the increasing number of entrants. Overcapacity is expected especially in the children education sector. Another challenge faced is that some Chinese (individuals and private firms) neglect to perceive the value of soft skills due to their intangibility (NZCTA, 2010). Foreign investment and foreign firms operating within the education industry also face challenges posed by the Chinese government. Their control over the curriculum is rigid. And any foreign involvement is strictly prohibited in the compulsory education (6-15 years old) (Benji, 2017). However, TMW is not really (or only) included in the education industry, but rather in the training industry. The fierce competition especially in the ELT market dominated by well-established foreign brands represents the biggest threat to TMW's expansion. But by leveraging their unique competitive advantage, TMW can gain market share in other provinces of China.

Furthermore, every province has their local laws and regulations. Their degree of permissiveness greatly varies from one province to another. Nevertheless, in the past years, this industry has seen an improvement in terms of relaxations of laws to promote growth and collaboration (Benji, 2017).

Lastly, the shortage of resource in this industry, e.g. qualified staff, trained teachers, or even administrative personnel, is a big challenge training firms have to face. In the long run, this threat leads to a decrease in profits and quality of services, and it also affects the brand reputation (Baldi, 2016).

6.2 Multi-dimensional Market Segmentation

The following sub-chapter will employ the multi-dimensional market segmentation approach in order to analyse the results of the online survey, which were triangulated with follow-up online focus groups and the initial interview with Adina Deacu. This analysis method includes various inter-connected types of segmentation (Badgett & Stone, 2005). The following figure illustrates the segmentation funnel used for this study to identify the customers with the highest potential for TMW's services.

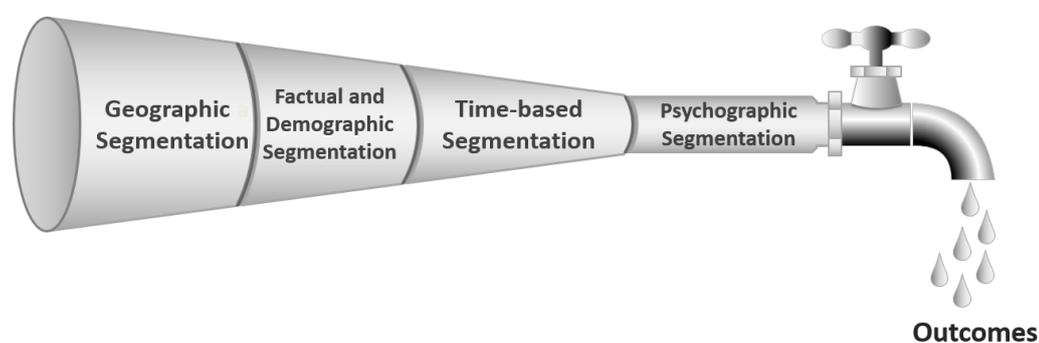


Figure 14. Multi-dimensional market segmentation approach (Source: Made by the author of this study, 2018)

6.2.1 Geographic Segmentation

This kind of segmentation assists the company upon focusing on the areas that suggest the highest market potential for its product(s), when entering a new market or an existing one. Services have certain features which pose challenges for the company. Services are intangible and perishable as they cannot be touched or stored for future use. Moreover, contact with people is required. For these reasons, location plays an important role for a service provider like TMW. Thus, the main criteria used in the geographic segmentation was the geographic distance from the TMW's current operation site, Qingdao, Shandong province.

Furthermore, considering that the survey was conducted online in a random manner, the location of the respondents could not be influenced or adjusted. Thus, besides Shandong, Anhui, Hebei, and Jiangsu provinces, two municipalities Beijing and Shanghai^{17; 18}, as well as two southern provinces Guangdong and Zhejiang were included in the analysis, despite the longer physical distance. Another reason for selecting these provinces is because the respondents from the aforementioned regions constituted the majority of the sample of 729 answers, i.e. 513. Additionally, since Adina Deacu considers franchising a potential business model, the distance will not be an obstacle. Even though far away, Shanghai, Guangdong, and Zhejiang may show potential for TMW's services¹⁹.

Indeed Beijing, Shanghai, Guangdong's Guangzhou and Shenzhen are tier-1 cities with advanced economies and higher standards of living than other Chinese cities. Thus, TMW can face stronger competition in these cities. However, in 2017, 15 more cities were considered new tier-1 cities, including Hangzhou (Zhejiang province); Nanjing, Wuxi, and Suzhou (Jiangsu province); and Ningbo (Zhejiang province), due to their "concentration of commercial resources, city's pivotability, citizen vitality, variety of lifestyle, and flexibility in the future" (ChinaDaily, 2017). Because of the number of competitors, TMW intends to focus on tier-2 and -3 cities (Deacu, 2018a); but in 2017 Qingdao, the city where TMW operates in, also became a tier-1 city (ChinaDaily, 2017).

The number of ELT firms operating in tier-2 cities has increased rapidly in the past years. These players are either local or international. In the tier-1 cities, the competition is strong in the ELT industry leading to the saturation stage (Research and Markets, 2018). However, since its services provide more than English language training, TMW still has market potential in tier-1 and -2 cities in a niche market because of the uniqueness of products which combine EP concepts to improve not only English language skills but also soft skills.

¹⁷ Tianjin, one of the four municipalities and a new tier-1 city, close to Shandong province, could be also included in the analysis, but the low number of respondents from this city determined its elimination from the geographic segmentation.

¹⁸ For the sake of the reading flow, hereinafter directing to the six provinces, Shandong, Hebei, Jiangsu, Anhui, Zhejiang, and Guangdong, as well as the two municipalities, Beijing and Shanghai, it will be referred to as *the (eight) provinces*.

¹⁹ For a detailed city percentage distribution per province, see Appendix 11.13 Geographic Segmentation

Regarding the entire education and training industry, the tier-1 cities appear to be saturated markets, while the tier-2 cities are considered emerging markets with great potential since they are fragmented and controlled by small local firms only pursuing profits, without a market leader (Baldi, 2016). As for ELT sector, the demand from tier-2 cities is constantly growing due to the companies' job requirements. The key aspects that the Chinese customers are looking for in a training service are "quality, effectiveness, and efficiency" (ibid.).



Figure 15. China's top markets for education and training industry (NZCTA, 2010)

With reference to the English proficiency level²⁰, Shanghai and Beijing may have an intermediate one, but the national average is rated as low according to the EF EPI, i.e. 52.45 placing China on the 36th place among 80 countries included in the study (EF, 2017a). One reason for this overall national level may be that the investment is concentrated in big cities neglecting the rural areas of China. Thus, once

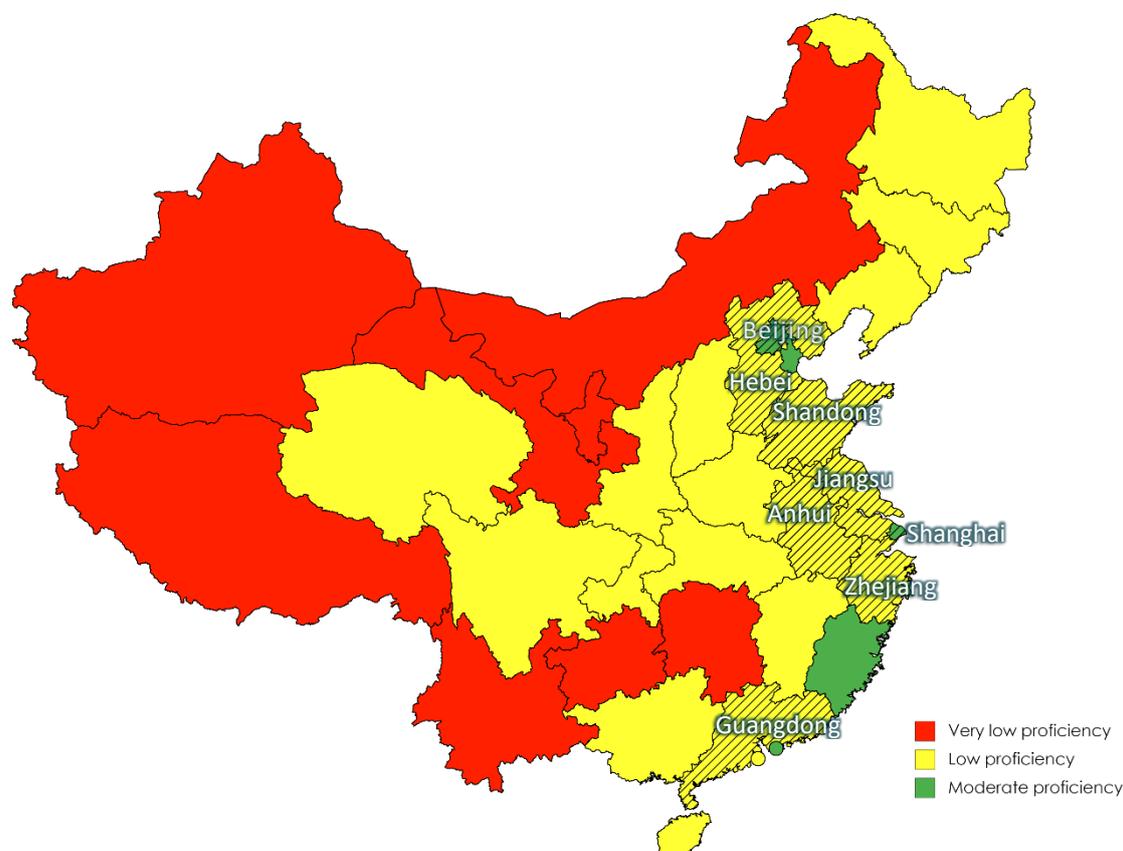


Figure 16. China's English proficiency by region and the selected areas for analysis
Source: Made by the author with data from (EF, 2017)

²⁰ For a detailed overview of the English language proficiency level in China, see Appendix 11.12 English Proficiency by Region and City in China

again the ELT market proves to be condensed in tier-1 cities (King, 2015) because of the local government stressing its importance (Wei & Su, 2015).

After finalizing the geographic segmentation, the factual and demographic segmentation will further divide and limit the potential customer clusters.

6.2.2 Factual and Demographic Segmentation

This segmentation dimension used several variables: gender, age, education, occupation, as well as self-rated English proficiency level. Knowing the potential customers' background contributes to creating a better targeting and business strategy.

Gender, Age, Education, Occupation Variables

The first variable based on which the survey results are analysed is the gender of the respondents. More than half (i.e. 53%) of the sample with a location in one of the eight provinces are females, while the male segment accounted for 47%. However, the gender distribution differs amongst the selected regions ²¹. Nevertheless, women

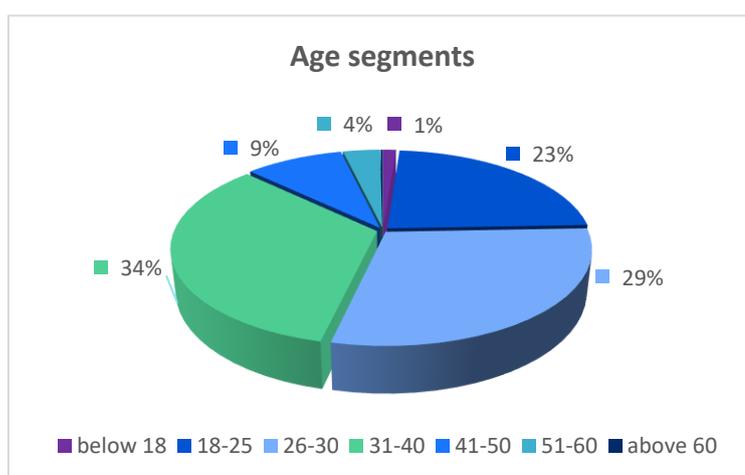


Figure 17. Overall age segment distribution

(80.5%) seem slightly more determined to improve their English level compared to men (72.2%). Only a small percentage is not interested in pursuing this linguistic skill (women: 1.8%, men: 3.7%), while the rest are not sure or cannot find the time needed for such an investment (women: 17.6%; men 24.1%). One reasoning may be that the entire Chinese male gender has a marginally higher share of English language proficiency possessors (53.04%) than the female gender (51.86%), as stated by the EF report (EF, 2017a).

As for the age segments, 86% of the respondents are between 18 and 40 years old²². Moreover, this age segment 18-40 displayed the highest potential since 90.3% responded they would be interested in investing their free time to upgrade their English skills. Since this age segment showed the highest potential for demand of TMW's services, only respondents aged between 18 and 40 years will be considered for further segmentation. Furthermore, 71.43% of the entire sample comprised of the 8 areas desire to have a higher level of English (See Figure 17).

Regarding the education variable, most of the respondents have an undergraduate degree. While the highest proportion of Master's degree holders can be found in the biggest cities, Beijing and Shanghai.

²¹ For a provincial gender distribution, see Appendix 11.14.1 Gender Variable Segmentation

²² For a provincial age segment distribution, see Appendix 11.14.2 Age Variable Segmentation

As expected, residents of these two Chinese cities are more educated. Thus, their English proficiency level might also be higher. Zhejiang province stands out in the high school segment.

Considering the respondents' occupation, the highest percentage of 18.1% are still full-time students, followed by a large group of managerial and R&D staff. The current occupation can show the determinants of learning English, which will be analysed in the Psychographic Segmentation chapter. Taking into account that the analysed age segment is 18 to 40 years old, the job positions mentioned above plus salespersons and office clerks comprise more than half of the sample, i.e. 63.7%.

Proficiency Level according to the Four Skills of Language

According to EF Education, China's English proficiency level is rated as low, and this is defined as the level when one can "navigate an English-speaking country as a tourist, engage in small talk with colleagues, and understand simple e-mails from colleagues" (EF, 2017a).

In order to properly target different customer clusters, TMW should be aware of their English language proficiency level, too. This not only helps to understand their abilities in terms of this foreign language, but it can also contribute to creating

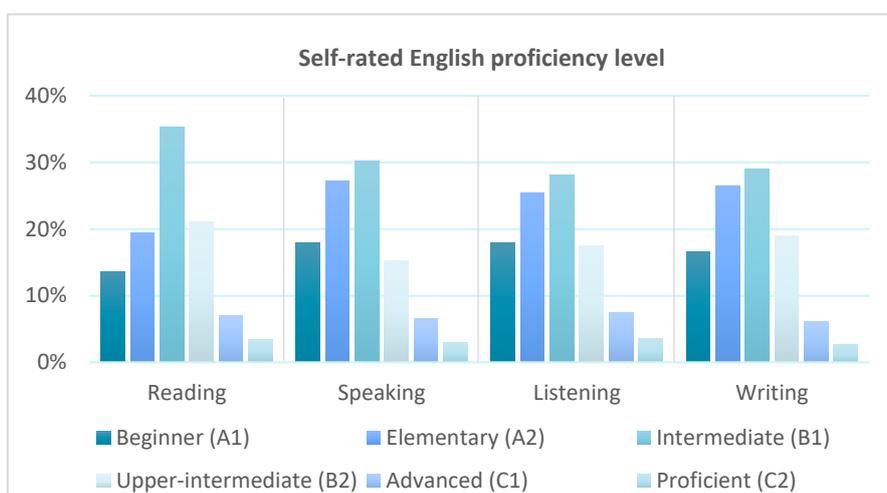


Figure 18. Overall self-rated English language proficiency level per capability

and adjusting the events and services to their capabilities, be it reading, speaking, listening, or writing. Knowing this information also lets TMW understand at which English level each customer segment should be challenged in order to reach the desired higher proficiency. It should be noted that this data about English skills within the four capabilities is self-rated by the respondents. Thus, the proportions are exposed to subjectivity. Nonetheless, since modesty is a main value of the Chinese culture, these results may still offer valuable information which can serve as guidelines. Moreover, the respondents were offered explanations in Chinese for each English level band once they hovered on the answers²³. Generally, the English proficiency percentages for each of the four capabilities: reading, speaking, listening, and writing, are skewed to the right (See Figure 18). The majority of the sample rates their English at a beginner (A1), elementary (A2) or intermediate (B1) level. The respondents' confidence lays mainly in English reading skills, while speaking lays behind with the highest share of A-level rating. Contrarily to previous research (Wei & Su, 2015; 魏 & 苏, 2008), listening and writing were evaluated

²³ For an explanation of the English levels (A, B, C), see Appendix 11.14.5 English Proficiency Band Explained

more poorly than speaking. This finding suggests that speaking is not the only capability that needs improvement, English writing and listening also require more training.

Every skill of language will be further analysed and compared with each province for a deeper understanding of the regional situation. Regarding the **reading capability**, English presents a great variety of different proficiency levels amongst the eight provinces²⁴. 85% of residents from Anhui rate their English reading skills at a level equal to or lower than intermediate. While in Beijing the widest range of 80% of respondents can be found between the A2 and B2 (upper-intermediate) bands. Additionally, almost 10% of the participants from the Chinese capital rated their reading as advanced; this percentage at the C1 level is the second highest amongst the eight provinces. Surprisingly, this rate is more than double in Guangdong province, but there is also a great diversity since 35% of respondents are only intermediate in English reading. In contrast, residents of Shandong province are almost evenly dispersed between A2, B1, and B2, each of these bands accounting for a quarter of the respondents from Shandong. Beijing, Shanghai's English reading level is also better off than the other provinces, with the highest percentage in B2 reading skills, i.e. 30%. However, Jiangsu possesses the largest rate in intermediate English reading capability, summing up half of the respondents from this province. At the other end, Hebei and Zhejiang are struggling with large shares of elementary reading skilled respondents, 26.3% and 25% respectively. Unexpectedly, Hebei province also leads the charts behind Jiangsu, on the second place with the highest portion of people with B1 reading skills.

When asked about grading their **English oral skills**, the respondents felt overall less confident. All the provinces possess approximately 30% of B1 English speakers. Anhui province also has an equal percentage of A2 speakers. These two bands amount to 60% of respondents from Beijing, which also has the highest B2 English speaking population, i.e. 19.42%, followed by Shanghai with 16.88%. In contrast, Hebei also has a large population with beginner rated speaking skills, i.e. 26.32%. But this time, Zhejiang took the lead of the respective skill level with 28.85% (A1). In fact, the majority of the respondents from Zhejiang have an A-level in English speaking capability. Jiangsu enjoys a slightly better position with the preponderance within A2 and B1, i.e. 71.7%.

The third skills of language, **listening**, showed big gaps between the levels of the provinces. Another unexpected finding was Anhui holding the highest rate in B2 (28.13%), but also a large share of A2 (28.13%). Guangdong province also demonstrated a big discrepancy with the majority concentrated in either A1 or B1 bands, with 26% and 28.99% respectively. Beijing is still a leader but in a lower rated band of B1 with 33.98%, closely followed by Shandong with 33.77%, which also took the second ranking in B2 after Anhui. Hebei province seems to maintain its low position with large shares in A1 (26.32), and A2 (21%), but also B1 (21%). Zhejiang's majority is concentrated in the A level, i.e. 63%, while Shandong's level is higher with nearly 60% of respondents with A2 and B1 level listening skills.

²⁴ For graphs and data, see Appendix 11.14.6 English Proficiency per Province

Shanghai's proficiency in listening is generally intermediate with the second highest rate of residents with B1 and B2 listening capability.

Lastly, the respondents were asked to rate their English writing levels according to the same band. Beijing kept its first position in B1 level with 37.86% and undoubtedly followed by Shanghai with 31.7%. However, the latter municipality also has a large percentage of people levelled B2 in English writing, (23.38%), and the highest in C1 (9.1%). Opposingly, Hebei excels at A2 level (36.84), pursued by Anhui (34.38%). Jiangsu and Shandong have a similar situation with half of the respondents graded between A2 and B1. Guangdong province displays 90% almost equally spread between A and B bands. Zhejiang's 85% of respondents are also evenly divided amongst A1, A2, and B1.

These discrepancies in English proficiency levels amongst the eight provinces can be explained by the income levels, which greatly vary from the wealthier cities like Beijing and Shanghai. This is the cause of different rates of development, an important aspect that business should adapt to, especially the service providers like TMW (Atsmon & Magni, 2012).

6.2.3 Time-Based Segmentation

Deciding upon the time to market a product or service is critically important for the company's business strategy. Time-based segmentation contributes in this sense to evaluate the maturity of the product or service within a specific market segment of an industry. This refers to its capacity of satisfying the customers' needs compared to the competitors' products, but also to the customers' position in their buying phase (or customer life stage), and the time of most effective targeting of the certain customer clusters (Badgett & Stone, 2005).

Years of Studying English

A typical potential Chinese customer of TMW has already studied English for 10 years on average, but the respondents' answers ranged from 1 to 31 years of learning. In fact, approximately a fifth of each age segment used 10 years to grasp this language. The younger generations appear to have the highest share of 10-year English learning process

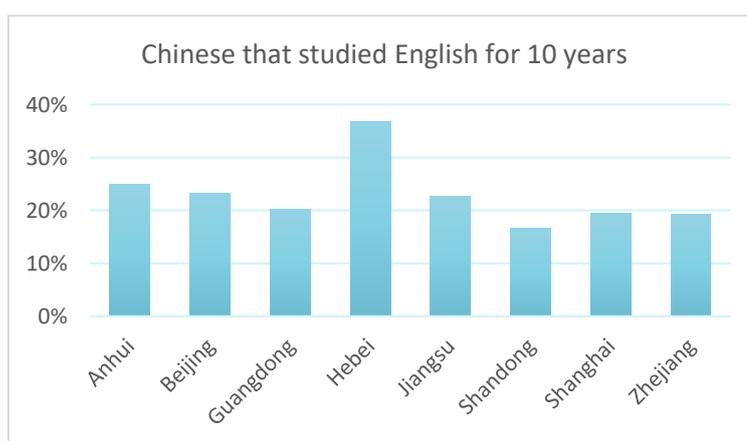


Figure 19. Distribution of English learners with a decade of studying efforts

among their age segment of 18 – 25 years old, i.e. 23.5% (See Figure 19). Other two findings that stand

out are: 11.8% of the 18 – 25 age segment has studied English for 12 years, and 9.3% of 31 – 40 age segment has even allocated 20 years to master this foreign language²⁵.

Regarding the regional distribution of the customer segment who has studied English for 10 years, Hebei province leads the top with more than a third of the Hebei respondents (37%) choosing this answer. Considering that Hebei is one of the provinces that scored the lowest in English proficiency rankings, this can raise questions on the effectiveness of the learning/teaching methods. Additionally, more than 73% of the residents from Hebei province have studied English for more than 10 years. Anhui province comes on second place with a quarter of respondents having a decade of English studying experience. The two municipalities, Beijing and Shanghai, have a lower share on this segment. This can be due to more efficient learning/teaching methods, a larger variety, or a great international exposure. Nevertheless, more than 65% of the citizens of the two Chinese mega-cities have studied English for 10 years or more²⁶.

When including the occupation variable²⁶, the results show that the persons with a consultancy job position spent roughly a decade learning English. This can be motivated by the requirement of the communication skills in their tasks. Approximately a third of the employees working within finance/audit and customer service also invested the same amount of time in grasping this foreign language. These jobs were closely followed by the teachers and managers with slightly more than 25% each. Besides, almost $\frac{3}{4}$ of the respondents who studied English for 10 years have an undergraduate degree.

Age of Starting to Learn English

The respondents' age when they started learning English greatly varies from even 1 to 40 years old, for instance, some residents of Beijing, Shanghai, Anhui, Guangdong, and even Hebei were introduced to English at the young age of 4 or earlier, but they only comprise 2%. The mean of the eight provinces is 11.78 years old. Apart from the female gender being more eager to learn English (EF, 2017b), the female respondents also tend to begin studying English earlier than the male gender. Nevertheless, the majority of the sample representative for each region were either 10 or 12 years old when they learnt their first English words.

Because the environment can play an important role in language acquisition (TMW, 2018b), the Chinese respondents were also asked about their experience of studying or working either abroad or in an environment where English was mainly used as means of communication. Overall, only 36% provided a positive answer, and the difference between female and male gender was only 5% (female sex: 33.6%, male sex: 38.6%). Approximately half of the respondents who had this kind of experience are either living in Beijing (29.7%) or in Shanghai (19.6%). Guangdong province follows closely with

²⁵ For specific data and graphs, see Appendix 11.15.1 Years of Studying English

17%²⁶. As for the occupation of this group, in descending order the top three job areas are management (20.3%), R&D (11.4%), and sales (10.8%). These kinds of work may require the employees to take overseas assignments when on duty, or they took an exchange semester/year or even an entire degree abroad in order to obtain such a job.

*Use of English in Daily Life*²⁷

In their daily life, more than half of the surveyed Chinese (56.7%) use English less than an hour per day, while a quarter of the respondents employ this foreign language a couple of hours every day. On a daily basis, Chinese women from the eight provinces tend to use English more often than Chinese men, especially those persons with ages between the 31 – 40 years old segment. Moreover, cross-tabulating the data with the location variable results discrepancies. Considering their comparatively lower proficiency, 80% of the residents of Hebei province use English either less than 1 hour (42%) or a couple of hours (37%) per day, while the remaining percentage does not use English at all (21%, the highest for this answer amongst all 8 provinces, sequenced by Zhejiang province with 15.4%). The majority of Beijing and Shanghai citizens engage English in their daily life for less than 4 hours. This statement is also valid for the other provinces. However, a rather unexpected finding is the highest percentage use of English for more than 4 hours every day by the respondents from Anhui province, i.e. 12.5%.

The largest occupation segments (>65%) that engage English less than an hour per day are: full-time students, administrative/support staff, finance/audit staff, R&D staff, and consultants. Half of the marketing/PR and the customer service staff use English for a couple of hours daily. While the only job holders who chose the fourth option with more than 4 hours per day are the finance/audit staff with 22%. A few years ago, companies in China were complaining about the lack of skilled HR staff (especially with communication skills) (PwC, 2012). It seems that China experienced a slight improvement in this aspect, at least in the eight provinces, compared with other job areas.

The places and situations where the respondents use English more often are: workplace/company (58%), school/university (51.5%), encounters with foreign friends (40%), language clubs/language buddy (37%), language school (24.7%). Moreover, half of the Shandong residents are active in participating in extracurricular activities, language clubs, or have a language buddy. All the other provinces are less engaged in such free-time pursuits with roughly 35%, and Shanghai only 19%. Other responses given by the respondents include self-study at home or through an application, watching movies, attending tutoring classes, or hanging out in the dormitory.

The time to market TMW's services in the eight Chinese provinces is ideal because of the government's initiatives to improve the locals linguistic and soft skills and the companies' strong demand of qualified personnel. However, the competition is fierce, especially in the ELT industry. Nevertheless, TMW's

²⁶ For data, graphs, and details, see Appendix 11.15.2 Chinese with Experience in English-only study or work environment

²⁷ For data and graphs, see Appendix 11.15.3 Use of English in Daily Life

advantage lays in their unique offerings of services targeting both types of skills, English (languages in general) and soft skills. Thus, TMW has momentum in the Chinese market for their products, but proactive and fast actions are required in this direction since many foreign companies have started to seize this opportunity and are trying to grasp a share of the huge ELT and soft skills market in China. Moreover, the time is also right from the perspective of China's startup boosting trend (Hoffmann, 2015).

6.2.4 Psychographic Segmentation

The psychographic segmentation will focus on the needs, motivation, and values, but also attitudes of the potential customers from the eight provinces in China. This chapter is meant to complement the geographic, demographic and time-based segmentation.

Needs and Motivations



Figure 20. Motivations for learning English

From the needs and motivations perspective, the top determinant to learn English for 60% of the respondents is to improve their career prospects. Slightly less than half desire to use their English skill to communicate with foreigners/expand their network and discover themselves/improve their self-confidence. English learning for increasing the self-value and support their academic goals are also motives for a third of the respondents. But studying abroad in English fell on the last place with only less than a fifth of the sample (See Figure 20)²⁸.

Since self-confidence is a key aspect targeted by TMW's products, establishing the respondents' confidence level in using English to communicate is essential. Thus, the results suggest that more than a third of the sample is neither unconfident nor confident in their oral English competencies, while another third rated themselves as confident²⁸. The last third is divided within not at all (7.7%),

²⁸ For data and graphs, see Appendix 11.16.1 Motivations for Learning English and 11.16.2 Self-Confidence in Using English to Communicate under 11.16 Psychographic Segmentation

unconfident (17.7%), and very confident (11.3%) (See Figure 21). Strangely, most of the respondents who are not at all confident live in Zhejiang (19% within the province), Hebei (10.5%) or Beijing (10.7%), the capital where a third of its citizens had the opportunity to study abroad or work in an English-only environment (See 6.2.3 Time-Based Segmentation). However, at the other end almost half of the persons located in Beijing are confident or very confident, the highest proportion amongst



Figure 21. Self-confidence in using English to communicate

the eight areas. The other regions, except Shandong province, have a share of approximately 20% of residents who are unconfident speaking in English. As for the very confident English-speaking respondents, the highest percentage is either coming from Jiangsu or Shanghai. Furthermore, the degree of confidence in their English knowledge is not correlated with the years of language study. Nevertheless, even those who learned English for ten years tend not to be confident in their skills, as only 30% of them chose the answers *confident* or *very confident*.

In fact, the majority of the respondents seek to improve especially their oral English skills, but also the reading speed and comprehension, closely followed by the listening competencies (See Figure 22). The top occupations who are interested in enhancing their oral English skills are finance/audit staff (88.9%), teachers (71.4%), and professionals (e.g. accountant, lawyer, architect, medical personnel, journalist, with 70%). Women are more interested in improving their oral English skills, while men are eager to reach a higher level in reading speed and textual understanding. Listening skills seem to be a priority for manufacturing staff (59.1%), administrative/support staff (58.8%), and HR staff (55%).

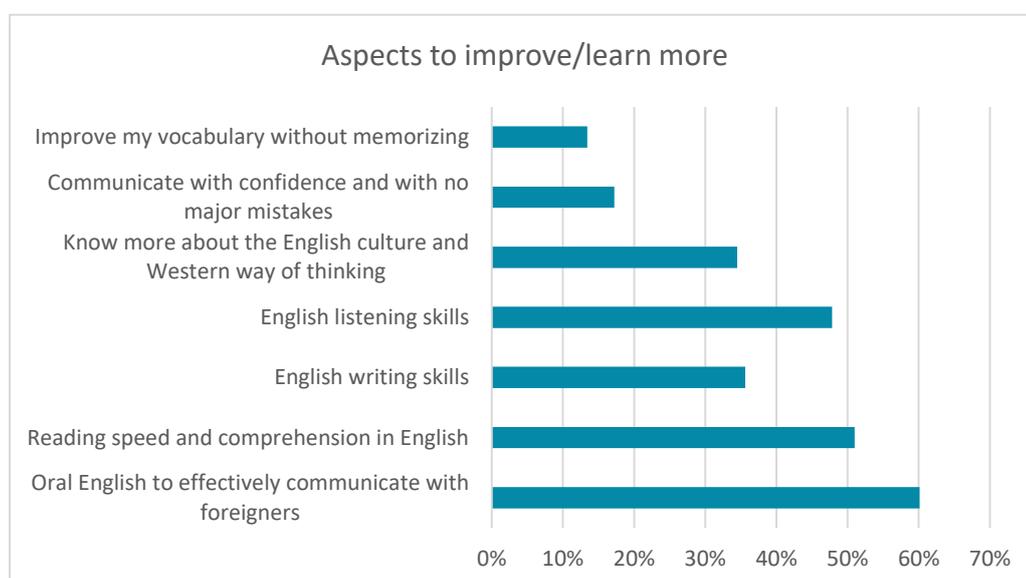
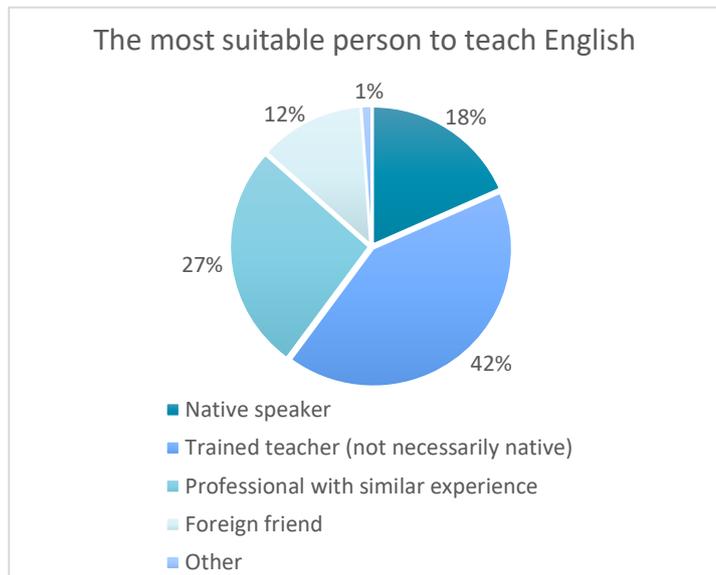


Figure 22. Aspects eager to improve/learn more

Values

In order to understand what the respondents' definition of good English, they were asked to provide their criteria through a single-choice question. For the majority of the surveyed Chinese persons, English means to be able to think in a native-like way when using English but also to understand and be understood by native speakers²⁹.

When asked about the most suitable person to teach them English, half of the Chinese respondents see the most value in being taught by a trained teacher, who is not necessarily a native person. But one-third of the sample also considers a professional with similar experience. (See Figure 23)



Besides the teaching person, in order to understand what the Chinese are looking for in ELT services, the

Figure 23. Respondents' perspective on the most suitable English teacher

respondents were also requested to choose the most relevant answer to them through a multiple-choice question. Apparently, the top criterion is *finding a place where the psychological pressure of learning a language is diminished, a suitable language learning environment (not necessarily needing to go abroad)*. *Bilingual events* came on second place with approximately half of the sample acknowledging the value brought by this method to English learning (See Figure 24). *Watch movies and documentaries as a source of learning English as well as learning about environmental*

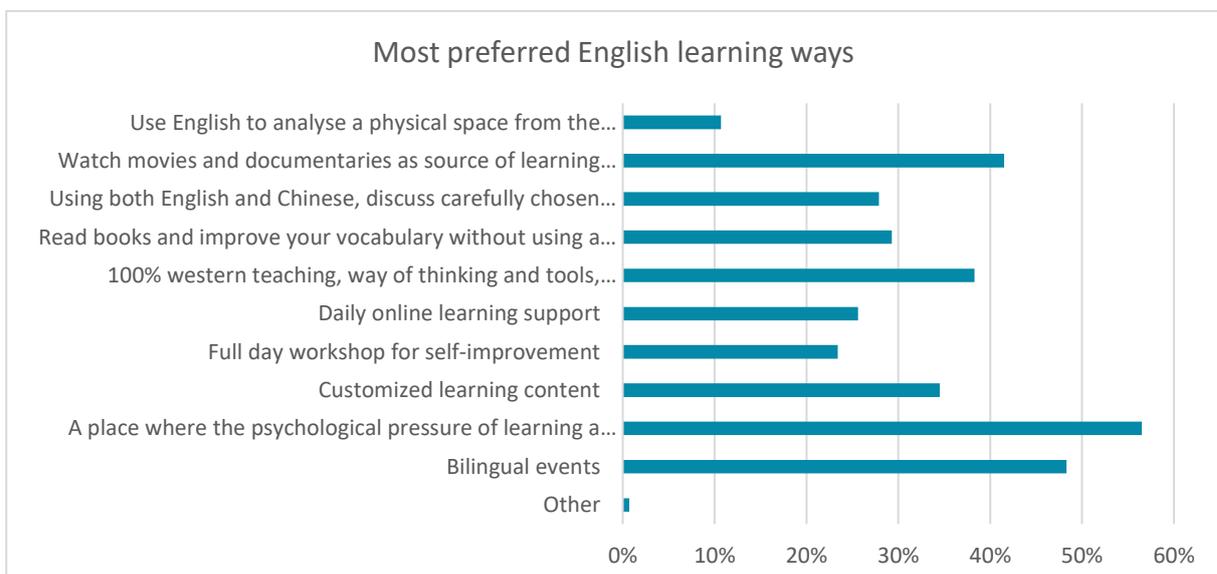


Figure 24. Most preferred English learning methods

²⁹ For data and graphs, see Appendix 11.16.4 Criteria for *Good English* under 11.16 Psychographic Segmentation

sustainability and 100% western teaching, way of thinking and tools, including theoretical knowledge and group activities but adapted to the Chinese culture and needs were also popular choices. Customized learning content reached top five, too. While using English to analyse a physical space from the EP perspective fell on the last place with only a tenth of the respondents preferring this method of learning English.

Except for a pressure-free learning environment and bilingual event, cross-tabulating the data with the province variables shows that Anhui, Guangdong, and Jiangsu (>40%) are also more open towards customized learning content. Watching movies and learning through western methods but adapted to Chinese culture and needs were also preferred solutions by at least a third of each province. Reading books to improve vocabulary by guessing the meaning of words from the context followed the previous options, with Shandong residents being the most interested (44%) and Anhui the lowest (19%). Morning bilingual discussion over breakfast in an inclusive environment was only preferred by a third of respondents from Guangdong, Hebei, Shandong, and Zhejiang provinces. In a descending order, daily online learning support succeeded the top of most preferred English learning ways. This method seems to be appealing only for a third of respondents living in Hebei, Jiangsu, and Shanghai. One-day workshop for self-improvement scored the second lowest, with only Guangdong province having the highest share of 29%. But the least chosen English learning method was using English to analyse a physical space from an EP perspective. Only a fifth of the respondents from Hebei (highest percentage) agreed on choosing this option³⁰.

Willingness to pay

Regarding their past experience, more than half of the respondents (67%) have attended supplementary English courses outside the classes and at their own initiative. However, the effects of these courses were rather various (See Figure 25). Only a third of the participants saw a big

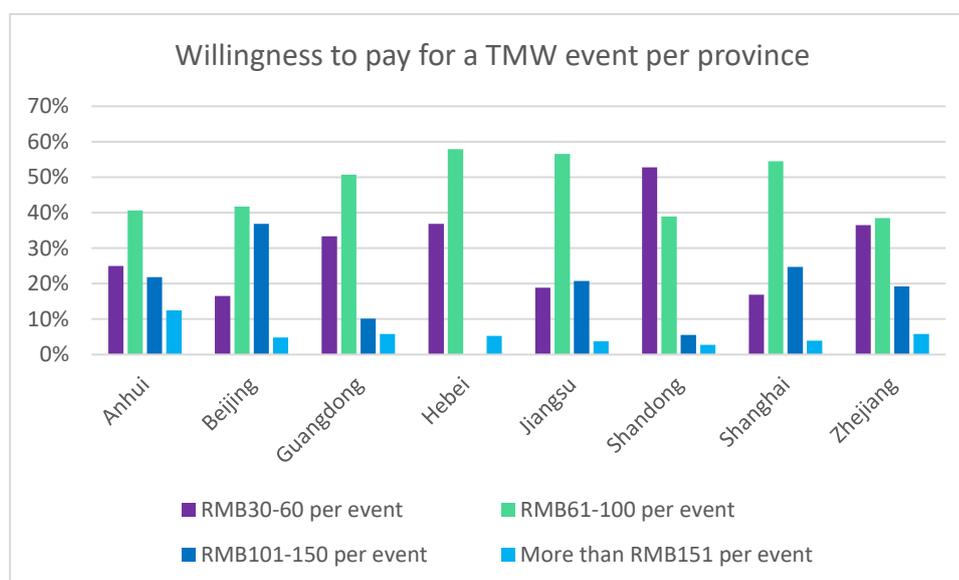


Figure 25. Willingness to pay for a TMW event cross-tabulated with province variable

³⁰ For more data, see Appendix 11.16.6 Most Preferred English Learning Methods

improvement, while another third stated that the impact was rather low. The highest effect was on oral English skills, but other aspects like self-confidence, interest in the language and networking were enhanced. The willingness to pay for a TMW event that uses EP concepts to improve English at a faster pace in a carefully designed environment, while achieving self-development and confidence ranges between RMB61–100 per event since this option is the mode of the sample ³¹.

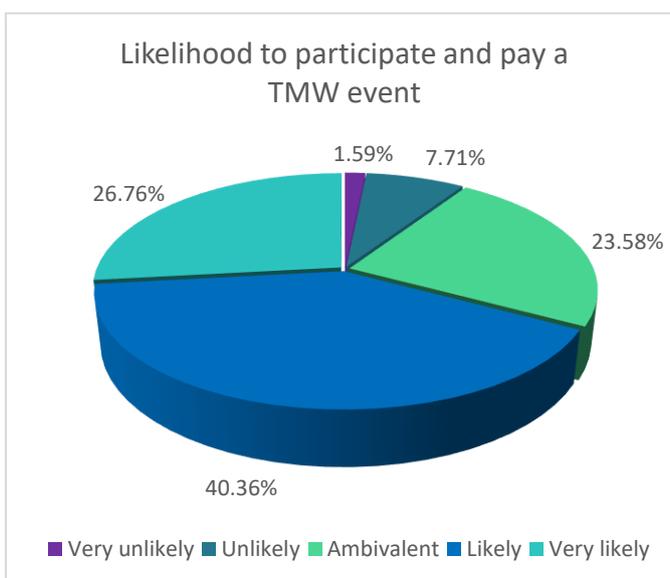


Figure 26. Likelihood to participate and pay for a TMW event

However, considering their past fruitless experience, 26% are willing to pay only RMB30–60 per event, while another fifth would spend RMB101–150 per event. Amongst the eight provinces, the respondents' willingness to pay varies greatly. The highest share for the prices between RMB30–60 can be found in Shandong province. While more than half of the Hebei, Jiangsu, and Shanghai respondents can spend between RMB61–100 per event. However, approximately half of the Beijing and Shanghai residents can pay even more than RMB101 for this kind of events.

As for the likelihood of attending and paying for a TMW event, the percentage only reached 67%. Only a third of the respondents has not decided yet, while a tenth is unlikely to give it a try³²(See Figure 26).

Attitudes and Opinions

Nevertheless, the majority of the respondents (80.5%) would like to further improve their overall English skills in their free time. But, only 18.1% cannot find the time for it or have not decided to pursue on this direction, while the rest of 1.4% is not interested in achieving a higher English proficiency level. Regarding occupation, HR staff are the most eager to be fluent in English (90%), closely followed by the managerial staff (89.4%). At the other end, half of the customer service employees chose the lack of free time or being unsure about this decision, while 12% of the persons with the same occupation have chosen the categorical *no*.

Furthermore, the respondents almost unanimously agreed on the environment having a certain degree of influence on English learning process, but also its results, and in consequence, their proficiency level as well. Moreover, they also consistently admitted on the fact that English learning needs more practice especially the speaking competence.

³¹ For overall graphs, see Appendix 11.16.7 Willingness to Pay for a TMW Event

³² As far as the likelihood of attending and paying for a TMW event, there are no striking discrepancies between the provinces. For a breakdown graph, see Appendix 11.16.8 Likelihood of Attending and Paying for a TMW Event

Regarding the significance of possessing such linguistic skills in China, the majority of the respondents (80%) considers them important or very important in all the eight provinces³³ (See Figure 27). Moreover, they also perceive a strong demand from locals in China who want to improve their English skills and develop their soft skills.



Figure 27. Perceived demand for ELT and soft skills training

³³ For data and graphs, see Appendix 11.16.9 Importance of Possessing English Language Skills in China

7 Discussion of the Results

These survey results are further correlated with the findings of secondary research, the conclusions of the follow-up online focus groups, and the existing literature. The triangulated conclusions may be of higher quality and relevance for the company.

7.1 TMW Startup Expansion Model

Considering the different growth theories and startup models presented in the Literature Review chapter, TMW seems to be on the right path to success, since it possesses the essential characteristic, *flexibility in thinking and strategy* (Petch, 2016). Moreover, the importance of this key element also emerged from the survey results compared with previous ELT trends analysed in secondary sources. Because the ELT industry is in a continuous evolution in China, the requirements, needs, and motivations of its citizens have also changed. Thus, due to its business nature, i.e. service company, TMW should adapt to the customers' demand according to the outcomes of constant evaluation (Blackman, 2017).

Regarding the business lifecycle stage, TMW has moved from the first stage of seed and development (Petch, 2016) or existence (Churchill & Lewis, 1983). Currently, the company is in the second stage called survival (in Churchill and Lewis' Classic 5-stage growth model (1983), and *survive* in Lippitt and Schmidt's growth model (1967)) or startup (in Five-stage growth model (Petch, 2016) and Seven-stage growth model (Janssen, 2016)). The turning point of this phase is to become profitable and, consequently, sustainable. Then, TMW can dispose of more capital and resources to employ the needed staff. However, an "ahead" attitude will help forecast possible obstacles and challenges the firm might face now or in the near future. Moreover, another reason why a business should be aware of the business lifecycle stage is in, represents its constant development and growth leading to changes in its goals and strategies (Petch, 2016).

In conventional growth models, expansion does not take place until the fourth or even fifth stage (in 5-stage and 7-stage models respectively), because development is perceived as a progressive and linear process. In contrast, from the angle of complexity theory, growth path of a startup is characterized by chaos and dynamism (Bygrave, 1989). As opposed to the life cycle theories, the dynamic growth models govern around the idea that no two companies are the same; hence, they cannot follow the same growth development pattern (Van Kroonenburg, 2016). Furthermore, the latter category of growth theories is built around the customers, the centrepiece of every business. Considering the dynamism of the business world, these models allow pivoting to previous stages for adjustments (Blank, 2013b). Since TMW is a service startup, these Lean Startup models, e.g. Steve Blank's Customer Development Model, are better suited for the firm due to its prototyping experience, the changing environment and industry in which it is operating, and the kind of products offered

(intangible). Once a product was developed to solve a contemporary problem, the business goes through a *cycle* of evaluation by engaging in customer feedback. Then, depending on the feedback's results, the company can pivot to the previous phase to modify and later re-evaluate the product, or proceed to promotion and expansion (Ries, 2017).

In conclusion, this repetitive process of incremental product development is suitable for TMW because it requires less time and resources, compared to the traditional growth models. Time, but especially resources are two factors that condition TMW's business operations. When using the lean startup strategy, TMW should invest in constant customer feedback to ensure success.

7.2 Service and Consultancy SME in China

Since TMW's offerings are actually services, understanding the tertiary sector in China is critical to the company's development process. China's services have gained attention in the past years due to their contribution to the country's GDP (Xiang L. , 2017) and the government's push for further progress in this sector (Xinhua, 2016). For this purpose, the restrictions in service development and investment were weakened, including for education and online services, while the access to bank loans improved (Qiu & Woo, 2018). This contributes to the SMEs' development. The decrease in taxes for service firms is another positive change (Roberts, 2017). Moreover, in the future TMW can find potential for expansion in the eastern part of China also because of the governmental promotion injection in the regional startup environment, containing the service industry as well.

Moreover, the local governments support sector-based development in order to develop niche markets of the training industry, be it linguistic, software, or soft skills. Consequently, TMW operates within a niche market and its differentiation advantage is the mix between linguistic and soft skills delivered through its services. The regulations for the education and training industry are constantly changing in China, and the most affected institutions are the degree-providers. However, TMW falls in a different category of non-core education services that can operate just by applying for business registration at the local government and complying with the national rules (NZCTA, 2010).

Consultancy sector in China is also becoming more and more international pressuring the companies to expand as their clients are also widening their business web across the world. Thus, having an extensive network is deemed essential for consultancy firms. Since this sector is relatively new in China, the market conditions are not fully mature, yet. Most of the supply of such services are concentrate in large tier-1 cities. Nevertheless, Chinese have realized the industry's usefulness and applicability (IBISWorld, 2018).

To sum up, the booming tertiary sector, particularly the service market, shows great potential even for a startup company like TMW. Indeed, the market has not matured, but the time is ideal to grasp market share, considering the local governments' eagerness to swift to services in order to spur further economic growth.

7.3 Environmental Psychology as a Business

Even though TMW operates in a red ocean, ELT industry in China, Adina Deacu found a niche market. TMW's uniqueness in China is rendered by its approach of using EP concepts in its activities and services. This discipline is relatively new to the public, especially to the Chinese market. The relation between the surroundings, its elements, and the people is the main focus of this interdisciplinary field of EP (Wells Lindfors, 2009). EP is mainly applied to architecture in the design of the buildings to increase their functionality or used by environmental protection organizations in undergoing research and studying the impact of human activity on nature (Bell, Greene, Fisher, & Baum, 2005). TMW, a foreign-owned startup in China, takes advantage of EP to improve Chinese people's English level and to gain the well-sought soft skills necessary in the local job market, which is highly competitive. TMW does not attempt to create from scratch a new environment designated for better learning, like EP used in the architecture area. On the contrary, TMW's principle is that any place can become a classroom; it just needs an EP professional's touch to adjust the surroundings for a positive effect on the individuals, their characters, development, and language learning (TMW, 2018b).

Considering its newness, promoting EP can be challenging for TMW in China. The survey results suggested that using English to analyse a physical space from an EP perspective was the least chosen English learning method by the respondents, even though such knowledge may help them alter their environments to improve the efficiency of their life overall, not only language learning results. The cause of this ranking may be due to their unfamiliarity with the discipline and its benefits towards foreign language acquisition. However, respondents from Hebei province are the most open (20%) towards trying this learning method, too. This shows their eagerness to increase their English proficiency level by any means. While the rest of the respondents only amounted a percentage less than 15%³⁴. That is why Adina intends to let "people know about it and to make them realize how important the environment is for their learning outcomes, for their self-development" (Deacu, 2018a). All in all, using EP concepts in language acquisition process and soft skills training pushed TMW at the shore of the ELT red ocean into a niche market with high potential. Furthermore, considering that TMW does not only aim to increase the customers' language proficiency but also improve themselves as persons, in order to become more competitive on the Chinese market, TMW's services can gain Chinese people's interest.

7.4 English Language Acquisition in China

As previously mentioned, ELT industry in China is a perpetually expanding market, since this country has the largest population of English learners in the world (The Economist, 2006). However, the overall language proficiency level of Chinese is rather low. There are several viable reasons for this situation:

³⁴ See Appendix 11.16.6 Most Preferred English Learning Methods

traditional classroom teaching methods focused on grammar and memorization (魏 & 苏, 2008), the lack of English practice opportunities outside classes, uneven economic development and different ELT reforms across provinces (Wei & Su, 2015). All these elements created an unbalanced pool of '*mute English learners*', since their receptive skills (reading, listening) were more developed than the productive competencies (speaking, writing), according to the Survey of Language Situation in China, the only national questionnaire undergone by the Ministry of Education (MOE, 2005). Moreover, previous research studies showed that students lack confidence in their English skills (O'Connell, 2016), especially in speaking (中国青年报社会调查中心, 2017). Practice improves not only the language level but also the self-confidence level. But the findings of this study show that most of the respondents use English only less than a couple of hours. This points out the inexistence of opportunities to practice their English.

Previous reports (Liu W. , 2016), as well as this study's survey results show that despite having a decade of English studying experience, most Chinese do not have a high proficiency level or any confidence in their knowledge. The respondents of the survey have also confirmed that there is no correlation between the years of language study and self-confidence. Moreover, the findings of the questionnaire revealed that the respondents do not only have a low level in oral English but also in writing and even listening³⁵, aspects which are sought to be improved.

The Chinese public demands for education reform in promoting more practice of the receptive language skills (中国青年报社会调查中心, 2017). Thus, the national government is striving to correct this situation in order to meet the high demand for English talent (Liu W. , 2016), but such intention requires a long time to become reality (EF, 2017b). Until then, private ELT providers are seizing the opportunity of the extensive demand.

For these facts one may conclude that the time to advertise TMW's services at a national scale in China is ideal, considering the large demand, job market's requirements, and government's implication. Moreover, the ELT market is estimated to increase from currently 400 million English learning Chinese people to more than 2 billion in the next decade (Liu W. , 2016). Additionally, TMW does not only provide English learning services but also soft skills training, which have increased in demand and popularity because of the fierce labour market in China. This innovative strategic approach is defined as *value innovation* since TMW seeks to create a new niche market space in the competitive ELT industry in China (Hollensen, 2017).

³⁵ See Appendix 11.14.6 English Proficiency per Province

7.5 Market Segmentation

The market segmentation results from the questionnaire will be further triangulated with follow-up online focus groups, which were held with current TMW clients, because of their experience with the company's activities and services.

The most commonly used type of market segmentation, the geographic dimension, divided the customers in smaller segments according to their location, while laying a background of the external and internal environments through PESTLE framework, Porter's Five Forces, and SWOT matrix. Even though influenced by the number of the random surveys, through [geographic segmentation](#), 6 provinces (i.e. Shandong, Anhui, Hebei, Jiangsu, Zhejiang, and Guangdong) and 2 municipalities (Beijing and Shanghai) were selected for further analysis mainly due to the shortest geographic distance from Qingdao, the city where the company operates in. Since in the large 'international' cities foreign language skills are greatly emphasized for economic purposes by governmental institutions (Guo, 2012b), even tier-1 cities show potential for TMW's services, despite the company's focus on tier-2 and -3 cities, where the ELT market is more fragmented by small players (Wei L. , 2013). Actually, even Qingdao became a tier-1 city last year, due to rapid economic development (ChinaDaily, 2017).

Even though China's economic growth rate has decreased, the demand for the customized English language courses has surged. A trend sustained by the Chinese (young) adults (18-30 years old) (Gamlam, 2016), especially for the purpose to advance in their careers, which is interconnected with assuring financial security and increasing their social status (Guo, 2012b). According to the survey results, because they are the most interested in improving their English level, the [age](#) segment that showed the highest potential for TMW's services is between 18–40 years old.

Regarding the [time](#) the potential customers find themselves in the buying process stage, roughly a third of the respondents had experienced studying or working in an environment where English was the communication language. Amongst them, half reside in Beijing or Shanghai. Once again, these results suggest the influence of the internationalization degree of the location and the presence of more opportunities for personal and professional development.

Then the [psychographic segmentation](#) provided a better understanding of the potential customers in order to effectively target with appealing products and service those groups that display the highest potential demand and interest. This further narrowing differentiates customer segments according to their economic value derived from their [motivations](#) and [needs](#). These variables are associated with the profitability (or [value](#)) the potential customers can deliver to the business (Badgett & Stone, 2005). An extensive survey conducted by China Youth & Children Research Centre with 2,000 young Chinese respondents showed that the main motivations to learn English are: (1) working in foreign companies (41%), (2) traveling abroad (37%), and (3) taking a test (31%), and (4) obtaining an English certificate (29%) (中国青年报社会调查中心, 2017). But the survey results provided a different picture. The main

motivations to study English is to advance their careers and communicate with foreigners for networking. In connection with their experience and lack of confidence, for the Chinese respondents, the third most important determinant is to increase the level of self-confidence, to discover oneself. Studying abroad in English fell on the last place with only 20%. It seems that this is not a priority for Chinese students anymore. One might think that the decision of not studying abroad may influence their career prospects, but the government is also actively promoting and providing inland opportunities of being able to actually study in English in China, because of the fear that some Chinese end up by not returning to their home country. Moreover, many Chinese students realized that studying abroad does not assure a good job afterward. Hence, the benefits do not justify the high costs of going overseas. Besides, Chinese universities have more and more partnerships with foreign education institutions (British Council, 2006; Perez, 2016).

The high percentage of respondents who are not confident in their oral English skills (~60%) may be explained by the dominance of traditional 'classroom' teaching methods which govern China's education system and prioritize grammar and vocabulary³⁶. This experience may also influence their opinion about teachers and what they value as the most suitable person to teach English. In the past, Chinese students but also teachers used to believe that the most appropriate person to teach English is a native speaker (Guo, 2012b). But the survey results show that Chinese abandoned this misconception, as the majority prefer a

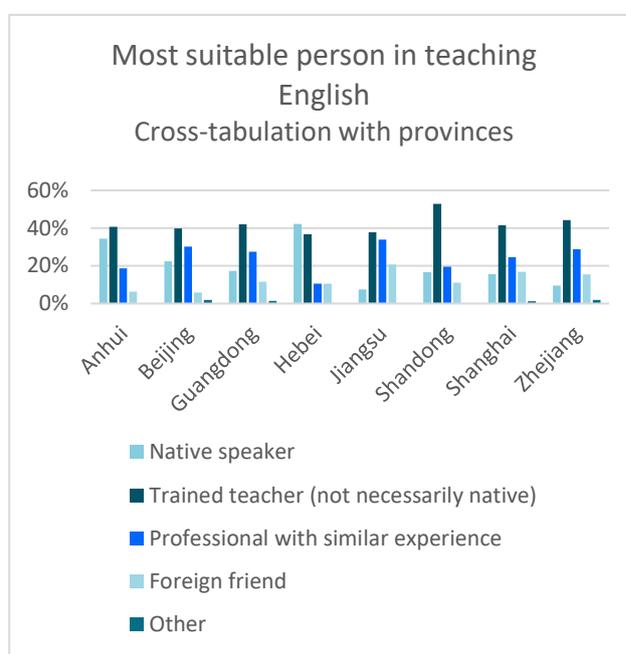


Figure 28. Most suitable person in teaching English by province

qualified teacher. However, at the regional scale, there are still some discrepancies (See Figure 28). The traditional idea that a native speaker (though even not trained) is the most suitable person for teaching persists in Hebei (42%) and Anhui (35%). Surprisingly, even a fifth of Beijing respondents holds the same opinion. Nevertheless, except for Hebei province, the *trained teacher* answer leads the top in all provinces with the highest percentage found in Shandong (53%). The choice of a professional with similar experience ranked second in most of the provinces (except for Anhui and Hebei where it ranked 3rd) with shares ranging from the lowest in Hebei (10%) to highest in Jiangsu (34%). Such a person refers to an educated individual without a teaching degree, maybe some teaching background but with a wide experience in successfully learning foreign languages; a person like Adina Deacu, the

³⁶ See 6.2.4 Psychographic Segmentation and Appendix 11.16 Psychographic Segmentation

founder of TMW. This is unexpected taking into account that until recently Chinese had the general misconception that a non-native English teacher “can only teach knowledge rather than skills”. This view was also promoted by Chinese media in the past and it may be explained by the teachers’ focus on providing the students with only and enough grammar and vocabulary to pass language proficiency tests (Sina, 2010). Since most of the respondents were not confident in their English skills, the majority has also tried extracurricular ELT courses. But their effect was not always the desired one: increase self-confidence, personal development, or pass language proficiency tests (Technavio, 2015).

Considering their motivations and past experience, the top choice of English learning method was a pressure-free learning environment. On the same line, watching movies also reached top 3, after bilingual events. Through her observations in China, Adina noticed that learning through memorizing is not effective in the long run, and it may only create more pressure at a psychological level (Deacu, 2018a). For this reason, the majority of Chinese respondents value a relaxed learning environment.

For these kinds of events, and many others organized by TMW, the majority of the respondents are willing to pay not more than RMB100 per event. However, their willingness to pay varies across the provinces. The customer segments who would invest the most in these services are located in Beijing and Shanghai. These residents can pay even more than RMB151 for these events. These findings are not unexpected considering that the two international cities have the highest income levels, but they provide a guideline for pricing variations in different locations once TMW expands to other locations. For instance, only 40% in Shandong province is willing to pay more than RMB61 per event.

All things considered, the multi-dimensional market segmentation results contributed to understanding the customers better from various aspects: geographical location, demographics, time, and psychographics (Badgett & Stone, 2005). The customer segments aged between 18–40 years old located in all the 8 areas show potential for TMW’s services, but at different degrees, for different events and different price ranges.

7.6 Challenges and Opportunities for TMW’s Development

The market segmentation findings can be next used in the second phase of the STP model, Targeting (Hanlon, 2017). However, before proceeding with this stage, a summing up of the challenges and opportunities that TMW might experience is needed.

However, a foreign-owned startup may encounter challenges in China. These can be of two natures: business registration or financial aspects. The strong competition can be the reason behind these obstacles. Nevertheless, if the company is well-prepared, it can achieve success in China. Besides the more difficult tasks, like tax optimization and other legal issues, can be outsourced to a local (Chinese) agency that knows the roundabouts of business in China. This strategy can save precious time for the company (Hoffmann, 2015). As for the ELT industry, the number of competitors is high. Thus, the market is very **fragmented**, and the soft skills training industry is following since more players are

attracted by the economic opportunities in the Chinese market. If TMW focuses on a **differentiation-based business model** by targeting English skills improvement and soft skills development with their services, all while engaging EP concepts, TMW can quickly grasp market share in the future.

One of the biggest challenges for TMW's expansion is the nature of the company, service firm. Because TMW's offerings are actually intangible, perishable as they cannot be stored for later use, the possibilities of standardization in case of expansion are low. Besides services can rarely be the same since they also require human interactions and immediate consumption. Expanding the company to a different location will definitely need a local physical presence in that specific place. Indeed, ELT and soft skills training services are rather difficult to be operated at a global scale, precisely because of the involvement of the customers in the 'production' (Hollensen, 2017). Despite the long physical distance, online ELT services can be a solution of reaching customers located in other cities. e-Services in education industries are becoming increasingly popular in China, because their accessibility through internet or mobile networks (Hollensen, 2017). In fact, **online education** gains terrain in China and it is expected to grow at a two-digit rate (Crace, 2018). The time is appropriate for TMW to launch their services online and make them available and advertised at a national scale, as Chinese learners are looking for alternative options to classroom courses. However, not all provinces are ready to embrace this learning method. Promoting online TMW services can be appealing to more than a third of people living in Hebei, Jiangsu, or Shanghai, the areas with the highest potential for such learning method. Differentiation model is not only suitable for offline services but also for online ones. Since this industry branch is growing in China, Chinese tend to look for customized services. Thus, through **individuation and differentiation** TMW's online services can become more attractive to the online customers (德勤, 2016). But it should be kept in mind that this age segment tends to be more assertive, since their past experiences were not as fruitful as expected (Thibaud, 2016).

Considering that the respondents of the survey ranked the learning method of *using English to analyse a physical space from an EP perspective* on the last place, one might consider that the reason behind it is that people are not aware of this EP concept. Hence, TMW needs to first educate the potential customers in EP then advertise. This can be challenging since it requires time and proper targeting. But once the public is aware of this concept and its benefits on language learning process, Chinese will become more curious and will seek TMW services. Actually, even some current customers have difficulty in defining the company. Though others believe that the purpose of TMW is *"to enlighten people not only about language but also about life"* (Online Focus Groups, 2018). To create the proper image TMW would like to take the shape of and letting the public understand their purpose (and that TMW is not just another ELT firm) represents a big challenge for TMW. **Educating the potential customers** is not an undefeatable task, but it is certainly time-consuming and requires more work power; considering the lack of staff is another challenge TMW is currently facing. However, the

participants of the online focus groups who in average attended at least 3 TMW events³⁷ agree on and realize the importance of the environment and its influence on their lives. They particularly like the fact that TMW provides a bilingual environment where they can find new learning methods, gain fresh insights, share and listen new ideas coming from people with different backgrounds, communicate with new friends, and learn from each other. It seems that once the customers experience TMW, they understand that TMW's events are not just another learning space or learning opportunity, but also where they can actually discover their hidden potential and true selves, an opportunity to improve, grow together, to discover oneself and increase their self-confidence. The latter being their main motivation to attend TMW's events (Online Focus Groups, 2018); compared to the survey results, self-confidence boost was top 3 determinant for learning English.

Adina Deacu is aware of the degree of difficulty to explain TMW's services to potential customers (TMW, 2017c). But once their (online) community³⁸ of loyal customers is created, word-of-mouth can contribute greatly. In fact, many Chinese rely on this way (offline or online) to gain more information about certain products or brands. Even though the average Chinese consumer has a low customer loyalty, they tend to stick with the brands that are highly recommended by relatives or (online) friends, and meet their expectations, especially in terms of quality (PwC, 2012); this stands true for tier-1 and -2 cities. While Chinese tier-3 and -4 cities are still price conscious. The value consumer is between 20–41 years old with a middle income ranging between RMB10,000–50,000 and living in a tier-1 or -2 city (ibid.). Having a strong online presence is deemed important to inform potential customers about TMW. Written articles, pictures, video glimpse of the events can let the public understand the company better and trigger their interest. As a service firm, having good delivery of services, a visionary CEO, and a good customer relationship are critical success factors (CSF) for TMW's success. By maintaining two other factors, flexibility and adaptability, TMW can overcome two big obstacles, competition and operation costs (Schnepper, 2007).

Regarding expansion potential, the participants of online focus groups do believe in TMW, but they suggest that eastern coastal cities would be more suitable, because in these cities young people are relatively more dynamic and are willing to experience any new and different activity, as it turned out to be with the survey respondents from Shanghai who are more open towards online education. But

³⁷ The most common events the focus groups participants enumerated are: Monday Screening, Creative Mornings, Book Club, and the TMW Member Group. The latter is an exclusive online bilingual platform on WeChat offered as a membership benefit for customers who attend the offline events, where members can express themselves. One guest speaker holds a 20-minute oral presentation regarding his/her experience, feelings, opinions regarding a weekly topic, then the members can ask questions. Its purpose is to boost self-confidence. Activity time is every evening at 9 PM from Monday to Thursday.

³⁸ Adina is working towards becoming an influencer or a key opinion leader (KOL) (or wang hong 网红 in Chinese). In order to build such supporting online community (Chinese: shequn 社群), various platforms are used, but mainly WeChat. Different methods are used to promote TMW's concepts and services, online bilingual sharing group on WeChat, videos, live broadcasts, online classes and presentations (Deacu, 2018a).

they are worried about keeping the same meaning and scope of the company in other cities, since it's difficult for Chinese to understand the purpose of TMW. Some participants of the focus groups suggest franchise as a suitable business model for TMW (Online Focus Groups, 2018), just as Adina Deacu intends to expand regionally and later nationally (TMW, 2017c).

Since English seems to continue playing an important role in the Chinese business environment, opportunities lie ahead of TMW. Moreover, the Chinese government is eager to improve the national average English proficiency level because creating a business-friendly environment is important for attracting more inward FDI and trade. Additionally, Beijing's ambitious plan, OBOR initiative relies on English as a connecting link between the Asian, African, and European countries. Even for China's Asia Infrastructure Investment Bank (AIIB) English is the official language of the organization. Progress has been made in this regard, but there is room for more improvement in Chinese people's English skills, especially if Beijing wants to stabilize the country's position as a global economic power (Nylander, 2016). In summary, TMW business is not challenge free considering the numerous competitors in ELT market, but the opportunities are also various, particularly because TMW does not only operate in the ELT industry but also in the soft skills training industry. Furthermore, TMW employs concepts of EP in their services creating a niche market through their differentiation-based model. Targeting the (young) adults, the customer segment with the highest potential can certainly bring profitability to the company.

8 Recommendations

The method of market segmentation utilized for the sake of this study, also known as the screening process, is a proactive approach used in identifying the customers with the highest potential for TMW's services. Psychographic segmentation proved effective after creating the basis for analysis through geographic, demographic, and time dimensions (Ciribeli & Miquelito, 2015). Based on the generated findings, a marketing plan can be further created by employing the original 4P marketing mix (price, product, place, promotion) or even the extended version of 7Ps (participants (people), process, and physical evidence add up) (Hollensen, 2017).

It should be noted that a study done by Professor Amar Bhide demonstrated that "93% of the companies gave up on their initial strategy" before they achieved success (Christensen, Allworth, & Dillon, 2012, p. 87). This shows the high degree of flexibility TMW needs to have and maintain to gain market share on a national scale in China. However, the lack of needed staff and funding can seriously raise problems for the company. The number and frequency of the TMW's events are also affected (Deacu, 2018a). Nevertheless, TMW, like any other company, has two options of replication model: organic growth by keeping it a WFOE or applying the franchising model. Regarding funding, a common and serious obstacle for startups, TMW can use own savings, partnership funding or attempt to access government (financial) support. The latter may not be an option for a WFOE since government funding is designated to Chinese registered firms, but there are certainly platforms that can help TMW grow. Moreover, the donor-investor ecosystem in China is underdeveloped because the Chinese foundations tend to invest in their own projects, looking for immediate gain, rather than a long-term program. Consequently, TMW shall rely on the sales revenue for funding, or third-parties, e.g. foundations, institutions, government agencies. The issue TMW is trying to solve in China is not only of economic nature (affecting labour force), but also social, which are generally tackled at a local level in the Chinese cities. Local governments and local agencies are eager to engage in partnership that would develop their settlement, and increase their image in front of the provincial, or even national government, which are pressuring to resolve any social issue that prevents China from reaching the international tops (Rich, 2016). A possible funding method is bank loans, which may be easier to access. Compiling financial projections based on the business plan can provide an estimation for the loan.

Another option would be crowdfunding, for instance through a Kickstarter campaign. This funding method is very popular amongst startups nowadays (ibid.). The advantage of crowdfunding is that these 'investors' called crowdfunders will not have any share of ownership or financial return. However, they do expect a token of appreciation in return, like a taste of the product, or receiving credits, meeting the founder, etc. Moreover, the owner maintains the full control of the company and has no obligation regarding this investment, no matter the outcome of the business (Sipola, 2015). Having

many sources of funding assures a strong support and flexibility in proceeding with their business operations (Rich, 2016).

Finding a channel that is suitable for the product assumes locating the highest yield and most efficient ways to reach the target customer segment. A typical mistake is to engage with various channels, instead of focusing the founder's attention and energy on only some which indicate the highest rate of customer reach (Bass, 2015).

It is also highly recommended for TMW to have a clear vision and detailed value proposition acknowledged by the customers to achieve success and accomplish its goal. Showing how their vision attempts to solve a contemporary concern in China, (English) language proficiency level and soft skills improvement (Rich, 2016), considering the traditional teaching methods with no cross-cultural awareness element or innovative thinking encouragement used in the Chinese schools (中国教育科学研究院, 2015). For this reason, people are looking for a different learning approach. Customized courses are gaining more and more terrain in ELT and soft skills training markets in China. Besides the timing is ideal for TMW to promote their personalized courses, but they should be divided according to specific purposes, e.g. language skills, time management, self-confidence, planning, career advice and guidance, interview in English, holding a business meeting (in English), creating English reports, and so on. And advertising the competitive advantage these courses can bring in the local job market will appeal to the Chinese workforce.

Since the image, the reputation of a company is important for Chinese, especially during the buying decision process, TMW should invest more in this aspect, even before starting to expand to other areas in China. Chinese consumers heavily rely on the opinions of other users to create a pre-purchase impression. The experiences shared online by the current clients represent a primary source of information for potential customers, but it also possesses a great influence on the future customers' purchasing decisions and/or behaviour. Thus, the influencers who have extensive networks and followers impact a wide group of people and they may even determine the audience to engage in product switching (Lingqvist, Plotkin, & Stanley, 2015). Creating a brand image that attracts clients is deemed essential in this country. Also, since services are intangible, their quality cannot be proven unless through customer feedback. Thus, TMW should continue to invest in a stronger online presence, not only on WeChat but a representative, official website about the company, brand and their products, with a page where current clients can share their own opinions about the quality of the services and their experience with TMW. Because Chinese customers also tend to consult Q&A websites before making a purchase, being present on this kind of Chinese websites, e.g. Baidu Zhidao, Baidu Tieba, Zhihu, can increase the online visibility and WOM, as the top search results pages are dominated by companies with similar Chinese names (video game developer, Timi Studio Group 天美工作室, and technology firm Techcom 天美集团).

Because English language skills are and will still be important to China's modernization and business internationalization, the Chinese government and agencies will continue to encourage and support proficiency level improvement through reform. As the survey findings showed, there are discrepancies between the two international cities, Shanghai and Beijing, and the other 6 provinces in terms of English proficiency but also the degree of importance attached to this language. Thus, the economic disparities affect not only the standard of living but also other aspects of citizens' lives, including the uneven distribution of educational resources. But due to wide access of online education that is gaining momentum in China, even remote areas can enjoy high-quality resources; a trend that slowly leads to education equality, and TMW can seize this opportunity by intensifying its online services (Yang & Du, 2018). Moreover, the income inequality China is dealing with should be taken into account by TMW in creating pricing strategies when considering the expansion. Disposing of different salary range creates different consumption patterns. Coastal areas tend to afford buying more, but also be more open towards international (foreign) products. Due to higher competition in this cities, foreign languages and soft skills are considered a competitive advantage by job seekers (Baldi, 2016). Before rushing into (physically) expanding the company, TMW should segment the customer clusters further by adding the income (distribution) variable. More research about the local laws, regulations, and policies is also needed. Tier-2 and new tier-1 cities, e.g. Nanjing, Jiangsu province, Hangzhou, Zhejiang province, developed attractive policies for attracting local top talent (Liang, 2018). This shows the strong demand for qualified workforce in these Chinese cities, a segment that TMW should focus on.

Last but not least, being well-prepared for any situation is recommended. Since China's ELT market is so fragmented and not matured yet, it is continuously changing and evolving, as the soft skills training industry. Moreover, worldwide 75% of the startups do not succeed. This situation also describes China's startup environment. Thus, for all these reasons, it is strongly advisable for TMW to prepare an exit strategy that does not generate a big impact (Kadura, 2017).

'Made in China 2025' (MIC 2025) a national strategy with various goals for businesses to increase the global economic status of China by becoming an innovator. For this purpose, Chinese MNE are encouraged to collaborate with foreign firms. And one of the aspects China seeks to improve is education services. Consequently, this can be the optimal time for TMW to intensify its business activities. Moreover, the EU SME Centre supports European SME to succeed in China, an organization TMW could appeal to for support and guidance (EUSMECentre, 2018).

9 Conclusion

Considering the role it plays not only in the individuals' lives but in the economic and political aspects of China through its MNEs' internationalization and the government's initiatives OBOR and MIC 2025, English language will continue to hold a high degree of importance for Chinese people in the future. Thus, the demand for ELT may become even stronger. The higher job requirements will also contribute to this increase. During the past several years, the ELT market in China has developed greatly but it is still highly fragmented. Hence, market research is greatly needed to segment and target the most suitable customer clusters, at the appropriate time and in the right place with the right products/services. Since TMW is a newcomer in the ELT industry, detailed preparation is crucial, especially in terms of considering the potential customers' needs, wants, values, attitudes.

The purpose of this paper was to identify the customer segments of the ELT market and analyse their potential demand for TMW's services. By employing a deductive approach, qualitative and quantitative data were collected. Relying on the external and internal environmental analysis of TMW and a detailed literature research, a multi-dimensional market segmentation investigation was directed. This approach determined to distinguish potential customer groups (young adults until 40 years old) in potential areas (Anhui, Guangdong, Jiangsu, Hebei, Zhejiang, and two municipalities, Beijing and Shanghai, as well as analysing the province where TMW operates in, Shandong) in China, according to their interests, wants, motivations, attitudes, values. In this manner, the findings can be utilized in compiling an effective strategic marketing plan that would create a triple win situation, for TMW, the customers, and overall the country represented by the Chinese government. This strategy will strive to accomplish a sustainable competitive advantage for the future, in a niche market of a red ocean.

The key findings show that every province require a different, localized strategy because they have different proficiency levels. The majority of the respondents from Anhui, Hebei, Jiangsu, and Zhejiang (as well as Shandong) have an A-level English proficiency, but in some cases (i.e. Anhui, Hebei, Jiangsu) half of them find themselves in the B band for reading competence (48% of Hebei respondents also have a B-level in speaking skills). While the two municipalities possess more than half of residents with B-level proficiency, as well as Guangdong citizens, but lacking in listening and writing skills (roughly equally divided between the A and B bands).

Regarding the relation between the respondents' experience in an English-only environment (e.g. study abroad or overseas work assignments), their self-confidence in speaking skills, and the number of years of English study, no correlation could have been found. About a third of Anhui, Hebei, Jiangsu, and Zhejiang are (very) confident in their English skills. But the latter province has the highest share of (very) unconfident persons (i.e. 42%). The rest of the areas are more confident with about half of the respondents: Beijing (55%), Shanghai (48%), Shandong (45%), Guangdong (40%). Besides, Beijing,

Guangdong, and Shanghai locals tend to use English more often in their daily life, and remarkably as well as Anhui and Zhejiang. These respondents tend to be between 26–30 years old. The employees who use English for two or more hours per day have jobs in marketing/PR (50%), customer service (50%), HR (45%), sales (40%).

Despite the governmental reforms and initiatives, China's English proficiency level is still behind the developed countries' (Baldi, 2016). However, almost the entire survey sample are eager to improve their English skills since they consider it an important possession in China. Their most chosen criteria for 'good English' is either "to understand and be understood by native speakers" or "to be able to think in a native-like way when using English". These findings can be used by TMW in their marketing strategy and promotion activities for targeting.

Their motivations to learn English vary from improving career prospects (>60%), to discover oneself, increase self-confidence (>40%) and self-value (≈40). In contrast, studying abroad in English does not represent a priority for Chinese anymore. As for the most preferred learning methods, the *bilingual events* and a *psychological pressure-free environment* are the most popular choices, while the *customized learning courses* appeal more to the respondents from Anhui, Jiangsu, and Guangdong. TMW is challenged in proving the efficiency of personalized learning content, but this method is increasingly gaining attention from the public. As for the respondents from Hebei, Shanghai, and Jiangsu, professionals are more open towards the idea of *online learning courses*, probably due to their limited free time. Taking into account the respondents' willingness to pay, the pricing strategy should be also differentiated. Residents of Hebei and Jiangsu represent the highest share of people willing to pay between RMB61–100 per event. While a third of Beijing and Shanghai citizens can pay higher prices than RMB100.

All things considered, TMW's services have market potential in other provinces of China; however, the strategy should be adapted to the local customer segments. Nevertheless, additional in-depth research is necessary in order to analyse the differences in targeting the same customer segments amongst the eight locations. The income, local regulations, and laws may be further considered for a detailed understanding of regional ELT and soft skills training markets. These two aspects that have become crucial for China's economic growth will continue to increase in importance, particularly in the digital domain, which expects a larger flow of investment in the future. Thus, considering that the markets in question are evolving and changing in China, this expansion opportunity should be promptly seized.

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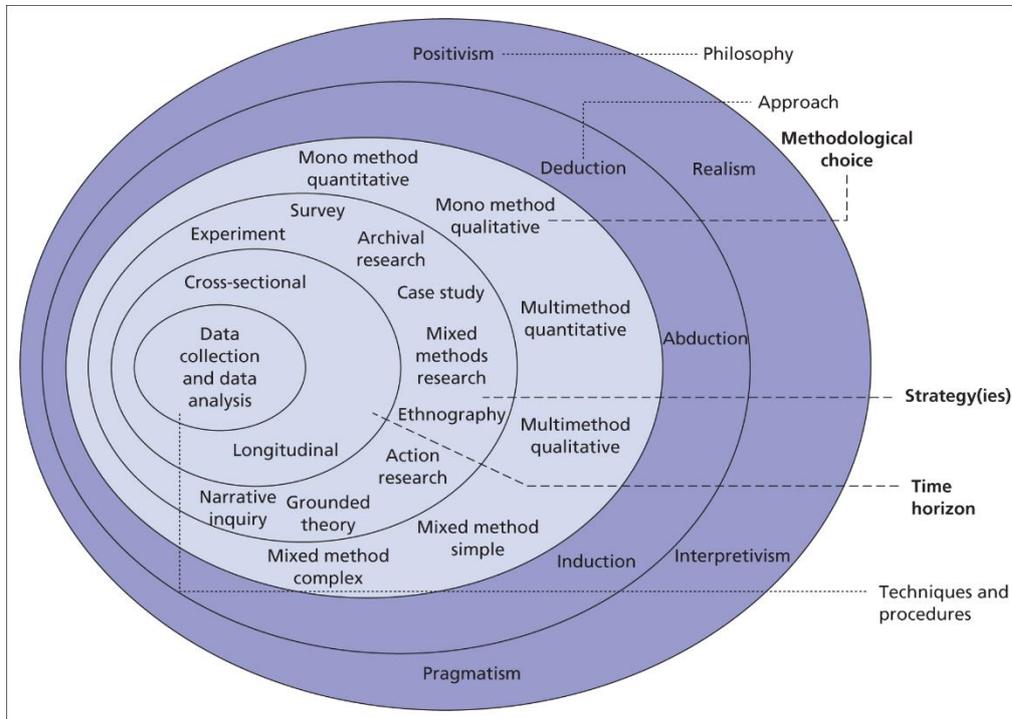
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11 Appendix

11.1 The Research Onion



(Saunders, Lewis, & Thornhill, 2012)

11.2 Survey Questions and Translations

The front page of the online survey created on a Chinese platform, Wenjuan Xing (问卷星) available at <https://www.wjx.cn/jq/20864587.aspx> or by scanning the following QR code.



英语学习调查

天美的世界
Tian Mei's World
让作感受一种不同研器器环境
Revolutionary learning environments

本问卷的目的是调查和确定天美的世界™ (TMW) 的活动和服务的市场需求和潜力。天美的世界™环境心理学工作室是中国第一家考虑到环境心理学因素对语言学习和个人发展影响的咨询公司。在TMW举办的活动和学习项目中通过创造环境,让人们可以在一个轻松和自然的状态下发现真实自我,掌控自己的生活,提高他们的英语技能。调查包括30个问题,其中7个人口统计问题,耗时最多5分钟。您的答案只能用于此研究,并且数据将被严格保密并以匿名方式处理。预先感谢您参加这项研究。

1. 中国居民住在中国 *

是

否

The translation of the survey:

English Study Market Research

The purpose of this market research is to investigate and determine the market demand and potential for TianMei's World's activities and services. TianMei's World™ Environmental Psychology Studio is the first consulting firm in China to consider the impact of environmental psychology on language learning and personal development. In the activities and learning programs organized by TMW, by creating a relaxed environment, where people can discover their true selves, take control of their lives, and improve their English skills.

The survey comprises 30 questions, including 7 demographic questions, and its duration should be maximum 7 minutes. Your answers will only be used for this research and the data will be treated strictly confidential and treated anonymously. Thank you in advance for participating in this research.

1. Are you a Chinese national residing in China?

- a. Yes
- b. No

2. Your sex

- a. Male

- b. Female*
3. *Your age segment*
- a. Below 18*
 - b. 18 – 25*
 - c. 26 – 30*
 - d. 31 – 40*
 - e. 41 – 50*
 - f. 51 – 60*
 - g. Above 60*
4. *Please choose your city (drop-down list with all Chinese cities)*
5. *Your current occupation: full-time student, manufacturing staff, salesperson, marketing/PR personnel, customer service, administration/logistics personnel, human resources, financial/audit personnel, civilian/officer, technology/R&D staff, manager, teacher, consultant, professionals (accountants, lawyers, architect, medical staff, reporters, etc.), other*
6. *Your education background:*
- a. Primary school*
 - b. Junior high school*
 - c. High school*
 - d. Undergraduate*
 - e. Master/graduate*
 - f. PhD degree*
 - g. Postdoctoral*
7. *How many years have you studied English?*
8. *How old were you when you started learning English?*
9. *Have you studied or worked in a place or country where the main communication language was English?*
- a. Yes*
 - b. No*
10. *Please rate your English reading proficiency level*
- a. Beginner (A1)³⁹*
 - b. Elementary (A2)*
 - c. Intermediate (B1)*
 - d. Upper-intermediate (B2)*
 - e. Advanced (C1)*
 - f. Proficient (C2)*
11. *Please rate your English speaking proficiency level (same answers as 11)*

³⁹ For every band level an explanation in Chinese was provided one the respondent was hovering the mouse cursor over the answer choice. For explanations of the proficiency bands, see Appendix [11.14.5 English Proficiency Band Explained](#)

12. Please rate your English listening proficiency level (same answers as 11)
13. Please rate your English writing proficiency level (same answers as 11)
14. Rate your confidence level in using English to communicate:
 1. Not at all confident
 2. Unconfident
 3. Neither unconfident, nor confident / ambivalent
 4. Confident
 5. Very confident
15. What are your motivations for learning English? (multiple-choice question)
 - a. Supports my academic goals
 - b. Improves my career prospects
 - c. Helps me to communicate with foreigners / useful for networking
 - d. To study abroad in English
 - e. Discover myself and improve self-confidence
 - f. Increase my value
 - g. Other
16. How much of your time do you use English in your daily life?
 - a. Not at all
 - b. Less than an hour
 - c. A couple of hours per day
 - d. More than 4 hours per day
 - e. Other
17. Under what circumstances? (Multiple-choice question)
 - a. school, university
 - b. workplace, company
 - c. language school
 - d. extracurricular activities, language clubs, language buddy
 - e. encounters with foreign friends
 - f. other
18. Do you think that the learning environment has an influence on your English language learning process?
 - a. Agree
 - b. Disagree
19. Have you attended supplementary English courses outside the classes at your own initiative?
 - a. Yes -> 20. What impact/effect did it have?
 - b. No
21. Besides learning English at school/language centre, do you believe English learning requires more practice (especially in speaking)?
 - a. Agree

b. Disagree

22. *Who do you consider the most suitable for teaching you English?*

a. Native speaker

b. Trained teacher (not necessarily native)

c. Experienced professional

d. Foreign friend

e. Other

23. *In your opinion, which is the best way to learn English? (multiple-choice question)*

a. Bilingual activities for communication / networking

b. A place where the psychological pressure of learning a language is diminished, a suitable language learning environment (not necessarily needed to go abroad)

c. Customized learning content

d. Full day workshop for self-improvement

e. Daily online project support

f. 100% Western teaching, way of thinking and tools, including theoretical knowledge and group activities but adapted to Chinese culture and needs

g. Read books and improve your vocabulary without using a dictionary, and discuss it together with other people

h. Using both English and Chinese, discuss carefully chosen topics with different people in an inclusive environment while enjoying breakfast

i. Watch movies and documentaries as a source of learning English as well as about environmental sustainability

j. Use English to analyse a physical space from the environmental psychology point of view

k. Other

24. *What is your standard of good English?*

a. Understand and being understood by native speakers

b. Pronunciation being as close as to the native speakers'

c. Being able to think in a native-like way when using English

d. Communicate with non-Chinese

e. Communicate with non-English natives, foreigners

f. Other

25. *How important is English as language skills to possess in China?*

1. Not at all important

2. Unimportant

3. Ambivalent

4. Important

5. Very important

26. *Would you like to improve your English level in your free time?*

- a. Yes
- b. Not sure/I don't find the time for it
- c. No

27. Which aspect would you like to improve/learn more about? (multiple-choice question)

- a. Oral English to effectively communicate with foreigners
- b. Reading speed and comprehension in English
- c. Writing skills in English
- d. Listening skills in English
- e. Know more about the English culture and Western way of thinking
- f. Communicate with confidence and with no major mistakes
- g. Improve my vocabulary without memorizing
- h. other

28. How much would you invest in a course that use environmental psychology concepts to improve your English at a faster pace in a carefully designed environment, while achieving self-development and confidence?

- a. RMB30–60 per event
- b. RMB61–100 per event
- c. RMB101–150 per event
- d. More than RMB151 per event

29. How likely is that you would participate in and pay for such an event?

- 1. Very unlikely
- 2. Unlikely
- 3. Ambivalent
- 4. Likely
- 5. Very likely

30. Do you think there is demand for Tian Mei's World activities from Chinese who are eager to improve their English skills & develop their soft skills?

- 1. Certainly no
- 2. No
- 3. Ambivalent
- 4. Yes
- 5. Definitely yes

Thank you! Your opinion is very valuable for us. Please follow TMW on WeChat to better understand our activities and services.



11.3 Follow-up Online Focus Groups

These are the guideline questions used in the online focus group on WeChat. However, depending on the participants' answers more questions were raised.

You should also know that there are no right or wrong answers, only differing points of view. Moreover, you can express your opinions in either English or Chinese. All my messages and questions will be in both languages.

You don't need to agree with others, but please feel free to share your own opinion, be it in a written message or audio message.

Keep in mind that we're just as interested in negative comments as positive comments, and at times the negative comments are the most helpful.

Your answers will be recorded for further analysis, but they will be treated anonymously, including your names. You may be assured of complete confidentiality.

In order to easily moderate the conversation, I will post one question at the time and let everyone express their opinion before I will post the next question.

Well, shall we start? Let's find out some more about each other and your experience with TMW activities.

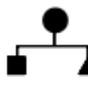
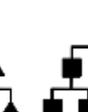
First please introduce yourself. Then tell us how many and which TMW activities did you attend until now?

1. *What is your opinion about TianMei's World's activities? What are their purpose and how they help you?*
2. *Now I want to discuss some results of the survey. I would like to know your opinion regarding these results, if you agree or not, what would be the reason behind them, or any insight you might have as current customers. The overall score for self-confidence in using their English knowledge in conversations was rated just as average, despite having learnt English for more than 10 years. However, their top 3 motivators behind learning English are: (1) improve career prospects; (2) discover oneself and increase self-confidence, and (3) communicate with foreigners and expand their network. How relevant do you think these results are?*
3. *Do you think that TMW has expansion potential in other Chinese cities? Which cities or provinces?*
4. *How do you think TMW should expand? Which business model may be successful for such a unique company?*

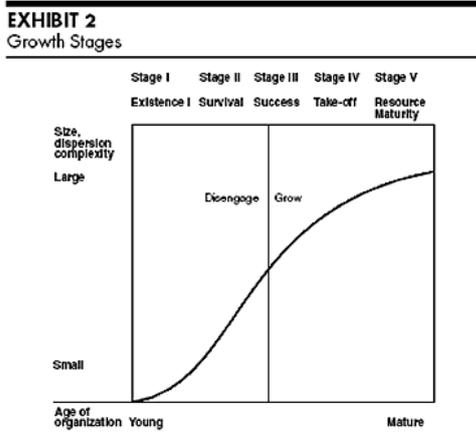
5. Since you are all familiar with the company and TMW events, do you still have other advice or comments to add?

11.4 Churchill & Lewis' Growth Model

EXHIBIT 3
Characteristics of Small Business at Each Stage of Development

	Stage I Existence	Stage II Survival	Stage III-D Success-Disengagement	Stage III-G Success-Growth	Stage IV Take-off	Stage V Resource Maturity
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organization						
Extent of formal systems	Minimal to nonexistent	Minimal	Basic	Developing	Maturing	Extensive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on investment
Business and owner*						

*Smaller circle represents owner. Larger circle represents business.



(Churchill & Lewis, 1983)

11.5 Comparison of the Two Views Regarding Startup Growth

Theoretical perspective	The life cycle view	The complexity view
Key premises	Holistic view	Individual view
	Businesses are considered stable systems; therefore, organizations	Businesses are seen as dispersed structure; consequently,

	are believed to be capable of reaching stability, balance	organizations are believed to be in a continuous state of imbalance
	The environment can be predicted, and changes can rarely happen	The environment is unpredictable, and change can happen anytime
Primary inference regarding business growth development	The development process is linear, organized, and predictable	The development process is dynamic, disorganized, and unpredictable
	The process is organized in different stages, each having particular problems which should be solved by possessing different management skills	The process is composed of series of emergent events; thus, the growth line of the startup is rather discontinuous
	During each stage of the growth process, the startup will experience a crisis which is crucial. The survival and growth of the business depends on its ability to manage the crisis.	The business might come across <i>thresholds</i> and <i>transitions</i> which are breakthroughs towards a new stage of balance once they are overcome.
	The founder can foresee the obstacles the startup might face during the future stages. So the entrepreneur can anticipately create strategies in order to be fully prepared and reduce the uncertainty of the crisis.	Compiling a plan in advance represents a difficulty for the founder, but he/she should use their vision in motivating and coordinating the staff, meanwhile they should be flexible throughout the entire development process
Researchers	(Greiner, 1972); (Churchill & Lewis, 1983); (Adizes, 1989)	(Bygrave, 1989); (Eggers, Lehey, & Churchill, 1994);

(Tsai & Lan, 2006)

11.6 The Lean Canvas and the Business Model Canvas

PROBLEM Top 3 problems	SOLUTION Top 3 features	UNIQUE VALUE PROPOSITION Single, clear, compelling message that states why you are different and worth buying	UNFAIR ADVANTAGE Can't be easily copied or bought	CUSTOMER SEGMENTS Target customers
	KEY METRICS Key activities you measure		CHANNELS Path to customers	
COST STRUCTURE Customer Acquisition Costs Distributing Costs Hosting People, etc.			REVENUE STREAMS Revenue Model Lifetime Value Revenue Gross Margin	
PRODUCT			MARKET	

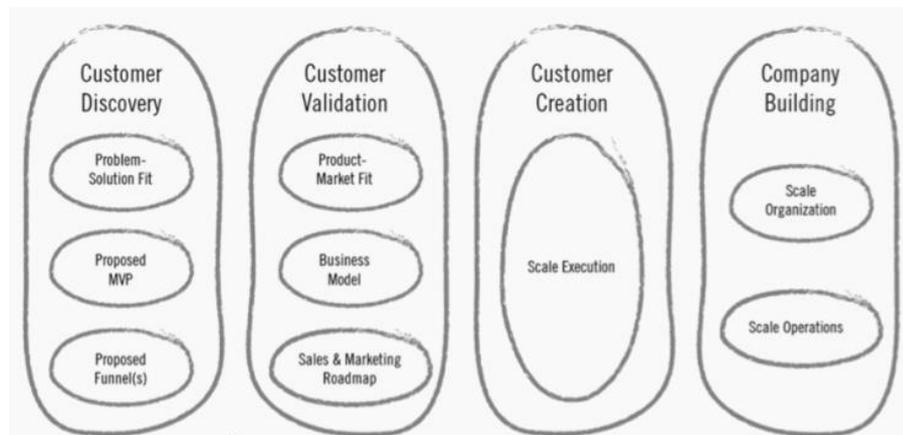
Lean Canvas is adapted from The Business Model Canvas (<http://www.businessmodelgeneration.com>) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

(Maurya, 2012)

KEY PARTNERS Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from our partners? Which key activities do partners perform?	KEY ACTIVITIES What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?	VALUE PROPOSITIONS What value do we deliver to the customer? Which one of our customers' problems are we helping to solve? What bundles of products and services are we offering to each segment? Which customer needs are we satisfying? What is the minimum viable product?	CUSTOMER RELATIONSHIPS How do we get, keep, and grow customers? Which customer relationships have we established? How are they integrated with the rest of our business model? How costly are they?	CUSTOMER SEGMENTS For whom are we creating value? Who are our most important customers? What are the customer archetypes?
	KEY RESOURCES What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?		CHANNELS Through which channels do our customer segments want to be reached? How do other companies reach them now? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?	
COST STRUCTURE What are the most important costs inherent to our business model? Which key resources are most expensive? Which key activities are most expensive?			REVENUE STREAMS For what value are our customers really willing to pay? For what do they currently pay? What is the revenue model? What are the pricing tactics?	

Business model canvas developed by Alexander Osterwalder and Yves Pigneur (Osterwalder, Pigneur, Bernarda, & Smith, 2014)

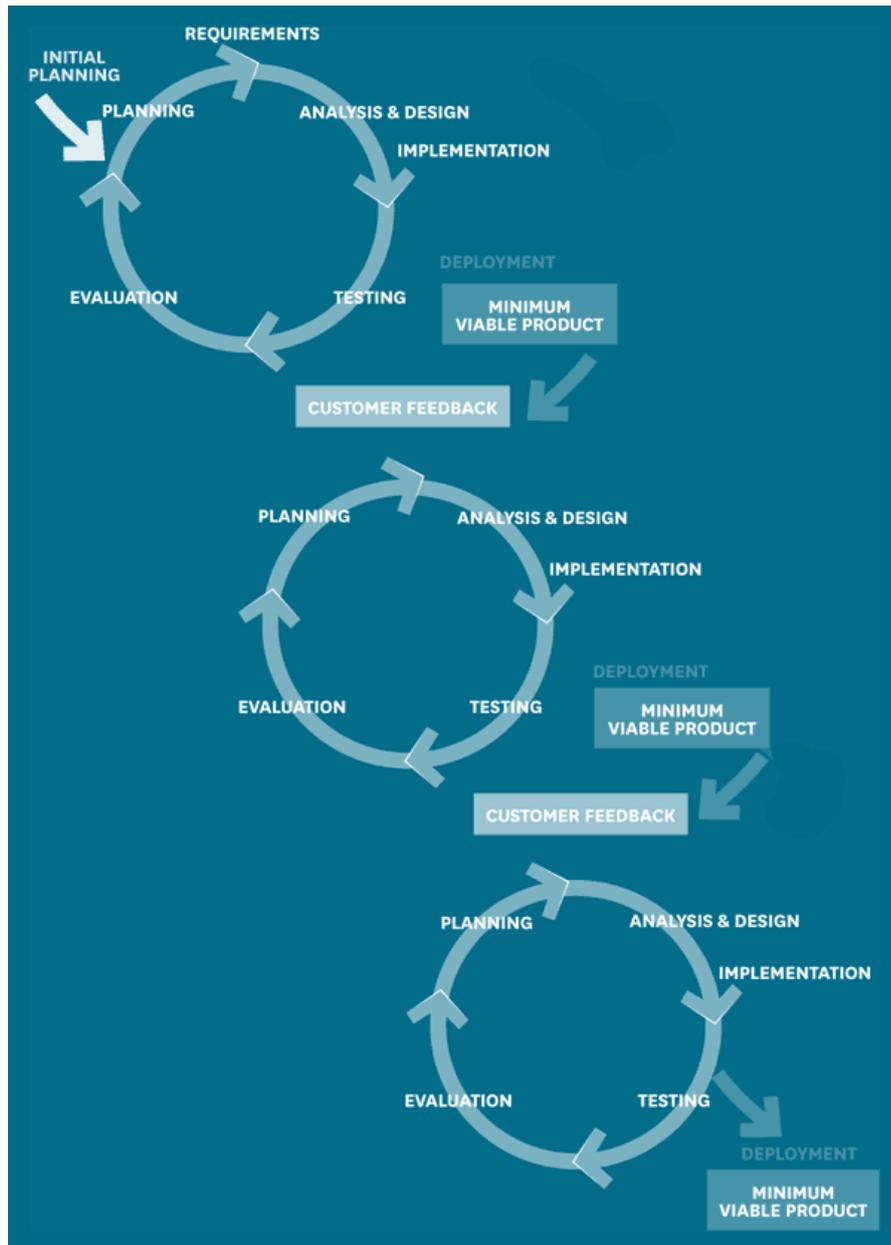
11.7 Blank's Customer Development Model



(Blank, 2013b)



(Gunawan & Lee, 2015)



(Blank, 2013)

11.8 English Language in China's History

<i>Period</i>	<i>Time</i>	<i>Historical background</i>	<i>Status of English</i>	<i>Characteristics of English Education</i>
<i>Late Qing Dynasty</i>	1861-1911	Challenging and humiliating events, the two Opium Wars (1840s-1860s)	English as a way to access Western science and technology	Introduced in the secondary and tertiary education curricula for knowledge transfer
<i>The New Cultural Movement</i>	1911-1923	This historical event brought criticism of the Confucianism and introduced other foreign traditions	English used to understand the Western philosophy and thoughts	In the secondary and tertiary education curricula
<i>The Republican Era</i>	1924-1949	Allying with the West, the ruling party Guomindang was looking for the US support and included the US education system model	English used in diplomatic, intellectual, and military aspects with the West	In the secondary and tertiary education curricula
<i>PRC before the Cultural Revolution</i>	1949-1960	Allied with the Soviet Union against the West, but the relation came to an end in 1950s	English disregarded, but its status increased at the end of 1950s	In very few secondary and tertiary education curricula, but gained terrain back in 1960s
<i>PRC during the Cultural Revolution</i>	1966-1976	Generally, education was greatly affected	Everything related to Western learning was discredited	Removed from all the curricula, but later was infrequently restored
<i>PRC Reform Era</i>	1978 till today	Economic reform, transition from a planned economy to a market economy, 2001 WTO admission	English as a fundamental tool for modernization and internationalization	Strongly promoted in the curricula, and also implemented in the (urban) elementary schools

The role of English in China greatly varied throughout the country's history: from a simple tool for translating scientific information from abroad, to be able to take jobs and be able to work in English without a translator or interpreter, till a key element essential for the economy modernization and efficiency (Gao, 2009).

11.9 China's English Proficiency

China's only national survey to measure English language proficiency found that a third of Chinese with English skills are using this language in their daily lives. Moreover, another important finding stressed the fact that the respondents had better reading skills than speaking skills. Listening proficiency level was also classified as low. Thus, the Chinese were defined as "deaf-and-dumb English learner" (魏 & 苏, 2008).

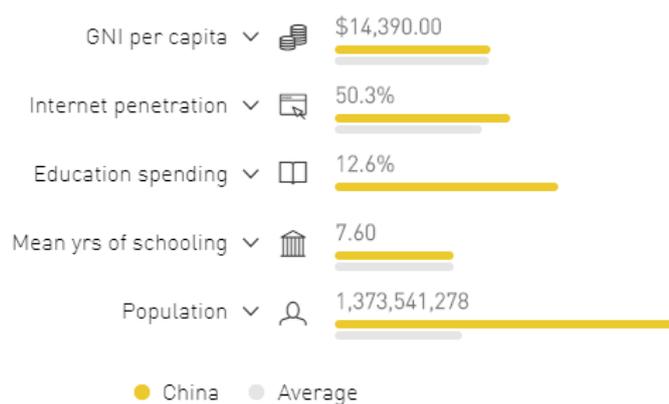
Table 3: The self-rated proficiency in spoken English of respondents who had studied English

	Able to act as interpreters on formal occasions	Able to converse quite fluently	Able to conduct daily conversations	Able to say some greetings	Able to utter a few words
Mainland China	1.80%	3.53%	15.61%	61.54%	17.54%
Beijing	2.52%	6.25%	18.39%	59.92%	12.91%
Shanghai	2.03%	9.64%	14.72%	48.22%	25.38%
Tianjin	2.23%	8.19%	28.34%	50.43%	10.82%
Chongqing	0.59%	2.72%	18.49%	64.27%	13.93%

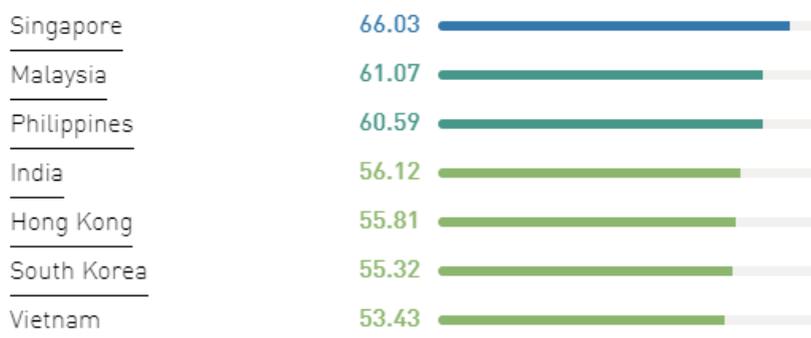
Source: SGO, 2006: 120

(Wei & Su, 2012)

The EF EPI research also takes into account aspects, like gross national income (GNI) per capita since it represents the purchasing power parity, Internet penetration, education spending, mean years of schooling, and population. These factors are summarized below, comparing to world average. The internet penetration element is particularly useful data when considering the online education market. Half of the Chinese population have access to the Internet. The education spending refers to the government expenditure, not the individual or household. Thus, according to World Bank data, China spends 12.6%, while the global average was 14% during 2010–2013. Lastly, the average years of schooling is measured for people older than 25. For China, this mean is 7.6 years, while the world mean reached 9.2 years (EF, 2017a).



The top 7 countries with highest English language proficiency, according to EF EPI for Asia. China ranks 8th (EF, 2017b).



11.10 TMW Regular Events

Event	Purpose	Time	Participation fee	Others included in the fee
PechaKucha PKN 20x20	<ul style="list-style-type: none"> Improves self-confidence Focuses on communication skills, public speaking, and the art of concise presentations Networking 4 foreign speakers and 4 Chinese, different views on different concepts, topics: meaning of home, love, etc. 	Sunday afternoons	RMB60	Dinner and free flow of beer provided by a catering partner
Creative Mornings 创意早晨	<ul style="list-style-type: none"> Promotes inclusiveness Lectures over breakfast, 2 speakers (1 foreign, 1 Chinese) Interaction with the audience, networking Improves self-confidence, empathy 	Once per month, last Saturday morning of the month, 9AM	RMB60	Breakfast, free-flow of coffee and refreshments
Monday Screening 周一放映	<ul style="list-style-type: none"> Improves English listening skills, speaking skills, critical thinking skills Promotes cultural diversity and environmental awareness 	Mondays	RMB30	Snacks

<p>(Not Just Another) Book Club 不一样的读书会</p>	<ul style="list-style-type: none"> Improves English reading skills Boosts confidence Enhances vocabulary Teaches how to use critical thinking skills 	Tuesdays	RMB30	Refreshments and snacks
<p>(Outdoor) EP Workshop 户外环境心理学工作坊</p>	<ul style="list-style-type: none"> Understand EP and the environment's influence by analysing a space, thus better understand oneself and others in connection with the physical environment Teach them how to choose their own or create better environments for themselves Increase awareness about own emotions and environments 	2-hour conversation	RMB30	Snacks

(Deacu, 2018a)

11.11 TMW's Competitors in China

Competitor	Operating area in China	Target segment	Products/Services	References
<p>EF Language First (SE) <i>Key player</i></p>	<p>Over 200 schools spread in 60 Chinese cities (from tier-1 to tier-4 cities)</p>	<p>Children, youth, adults, corporate clients</p>	<p>Offline training, traditional classroom teaching Recently invested in online training for adults (19 – 40 years old)</p>	<p>www.ef.com.cn (Baldi, 2016)</p>
<p>New Oriental (Education & Technology Group) (CN) <i>Key player</i></p>	<p>727 centres and 64 schools all over China</p>	<p>Entire market older than 6 years</p>	<p>Mainly classroom-based learning Test preparation (domestic and abroad)</p>	<p>www.neworiental.org (Baldi, 2016)</p>

			Online training (on koolearn.com with 10.7 million users) includes other languages except English, e.g. Japanese, Korean, German, French, Spanish, Italian	
ClarkMorgan (CN) <i>Important player</i>	2 offices: Shanghai (headquarters), Beijing	Professional, Employees	Soft skills training courses	www.clarkmorgan.com
Wall Street English <i>Key player owned by Pearson</i>	>60 centres in tier-1 and -2 cities	Adults and corporate clients	Offline business English training	www.wsi.com.cn (Baldi, 2016)
Disney English (US) <i>Key player</i>	28 centres in Shanghai, Beijing, Shenzhen, Guangzhou, Chengdu, Suzhou, Nanjing	Children (kindergarten and primary school levels)	Disney-themed classes	http://www.disneyenglish.com/ (Thorniley, 2010)
Best Learning (CN)	30 centres in Shanghai, Beijing, Guangdong, Shandong, Zhejiang, Hunan, Shaanxi, Liaoning, Shanxi	2 – 12-year old children	Specific subject courses (e.g. math in English)	www.bestlearning.cn (Baldi, 2016) Owned by China Shanghai Jingmei Business Consulting Co. Ltd.
Berlitz (US) <i>Important player</i>	8 centres: Beijing, Chengdu, Guangzhou, Suzhou, Tianjin, and 3 in Shanghai Plus one in Hong Kong	All ages	Foreign language courses: English, German, Russian, Portuguese, French, Italian, Japanese, Korean, Mandarin, etc. 52 in total.	www.berlitz.com.cn

			Plus tailored language courses, business and cross-cultural training.	
iTutorGroup (CN) <i>Important player</i>	Online learning platform	All ages	Online English and communication skills training	www.itutorgroup.com
The British Council (UK) <i>Important player</i>	4 offices: Beijing, Shanghai, Guangzhou, Chongqing	All ages	English courses New in online English learning, promotes some free online courses	www.britishcouncil.cn
Pearson (UK) <i>Key player</i>	3 offices + franchise centres	All ages	Offline test preparation Recently invested in online training for test preparation	www.pearson.com (Baldi, 2016)
Sprout4Future (CN) <i>Important player</i>	Online learning platform	Students between 5 and 15 years old	Online courses: English and other subjects (e.g. history, science, literature, arts) in English	www.sprout4future.com
TAL Education Group (CN) <i>Important player</i>	Online learning platform	Students	Education through technology	www.en.100tal.com Tomorrow Advancing Life
ChinaEDU (CN) <i>Important player</i>	Online learning platform and thousands of centres	Students	Online education Various subjects	www.ir.chinaedu.net Partnerships with universities
Xueda Education Group (CN) <i>Important player</i>	157 learning centres in 44 cities	Primary and secondary school students	Personalized tutoring, customized study plan. Various subjects: Math, English, Chinese, etc.	www.xueda.com
Tencent Classroom (CN)	Online platform since 2013	All students from primary	Online courses in foreign languages,	https://ke.qq.com/

		school onwards, and adults	skill training, and certification	
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11.12 English Proficiency by Region and City in China

Shanghai	56.76	Liaoning	51.04
Hong Kong	55.81	Jiangxi	50.56
Beijing	53.83	Sichuan	49.89
Tianjin	53.37	Anhui	49.74
Fujian	52.74	Henan	49.71
Taiwan	52.04	Qinghai	49.46
Zhejiang	51.93	Chongqing	49.23
Macau	51.87	Guanxi	49.12
Jiangsu	51.63	Shanxi	49.08
Heilongjiang	51.55	Gansu	48.40
Shandong	51.54	Hunan	48.13
Guangdong	51.48	Inner Mongolia	47.72
Hainan	51.43	Xinjiang	47.41
Shaanxi	51.37	Xizang	47.35
Hebei	51.22	Ningxia	47.12
Hubei	51.07	Guizhou	46.73
Jilin	51.06	Yunnan	46.27

● Moderate proficiency; ● Low proficiency; ● Very low proficiency (EF, 2017a)

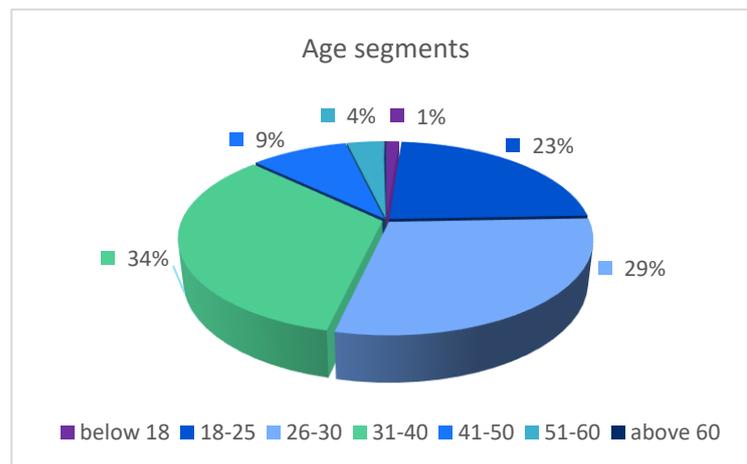
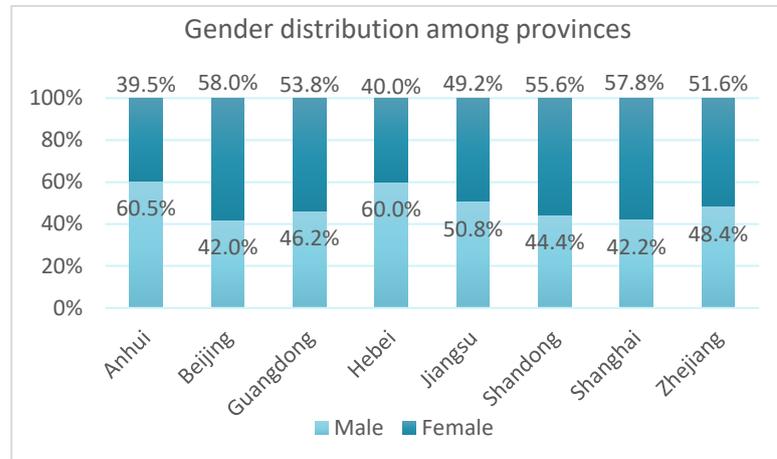
11.13 Geographic Segmentation

Citizens percentage distribution per province (except Shanghai and Beijing)

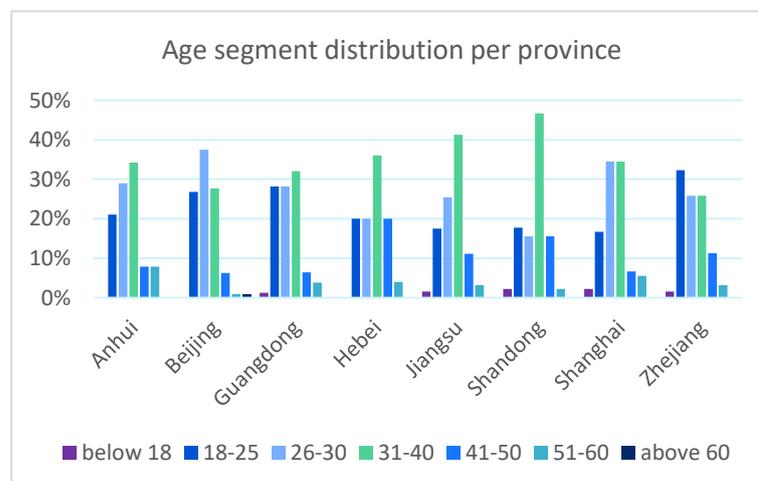
Anhui		Guangdong		Hebei		Jiangsu		Shandong		Zhejiang	
Anqing	2.63%	Dongguan	1.28%	Baoding	16%	Changzhou	4.76%	Binzhou	2.22%	Hangzhou	72.58%
Hefei	60.53%	Foshan	2.56%	Handan	12%	Huai'an	3.17%	Dangying	4.44%	Huzhou	1.61%
Huainan	5.26%	Guangzhou	64.10%	Langfang	8%	Lianyungang	1.59%	Heze	2.22%	Jiaxing	6.45%
Huangshan	2.63%	Jiangmen	1.28%	Qinhuangdao	12%	Nanjing	42.86%	Jinan	28.89%	Jinhua	1.61%
Liuan	2.63%	Jieyang	1.28%	Shijiazhuang	44%	Nantong	1.59%	Laiwu	4.44%	Ningbo	11.29%
Maanshan	7.89%	Meizhou	1.28%	Tangshan	8%	Suzhou	22.22%	Qingdao	42.22%	Shaoxing	1.61%
Wuhu	15.79%	Shantou	5.13%			Wuxi	9.52%	Taian	6.67%	Taizhou	1.61%
Zhangzhou	2.63%	Shanwei	1.28%			Xuzhou	6.35%	Weihai	2.22%	Wenzhou	3.23%
		Shenzhen	16.67%			Yangzhou	3.17%	Yantai	6.67%		
		Zhanjiang	3.85%			Zhenjiang	4.76%				
		Zhaoqing	1.28%								

11.14 Factual and Demographic Segmentation

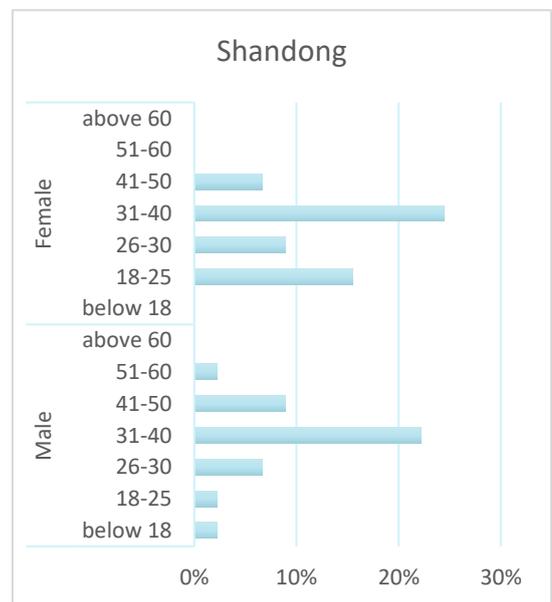
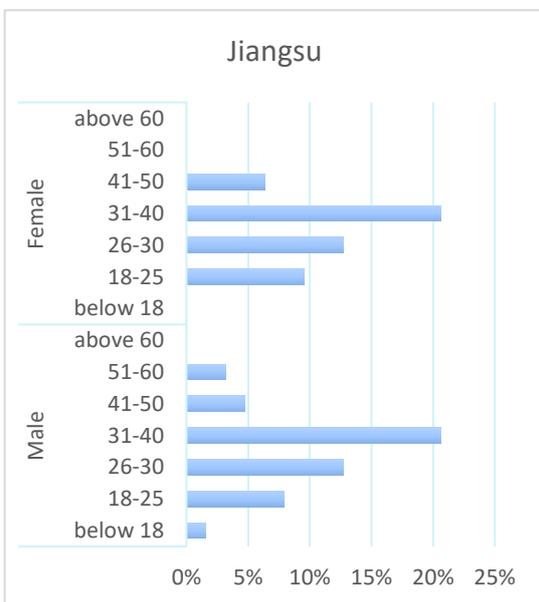
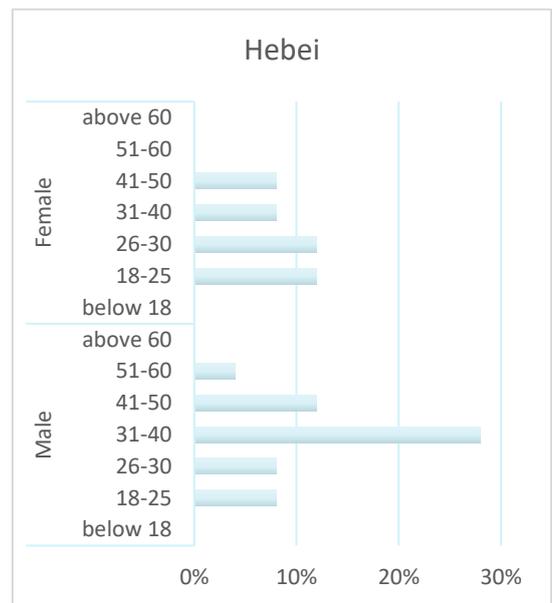
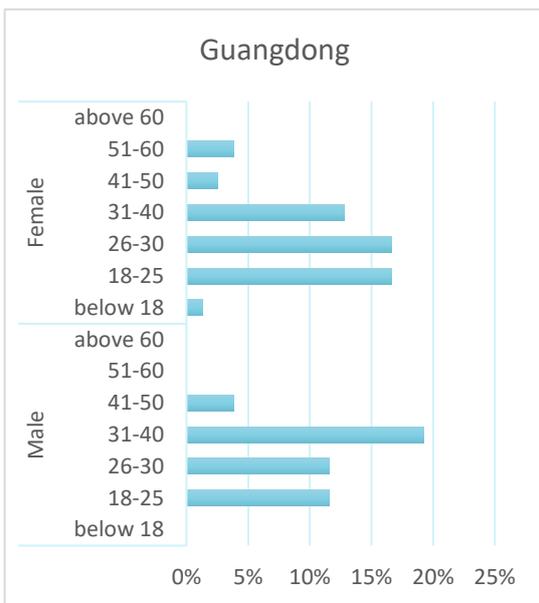
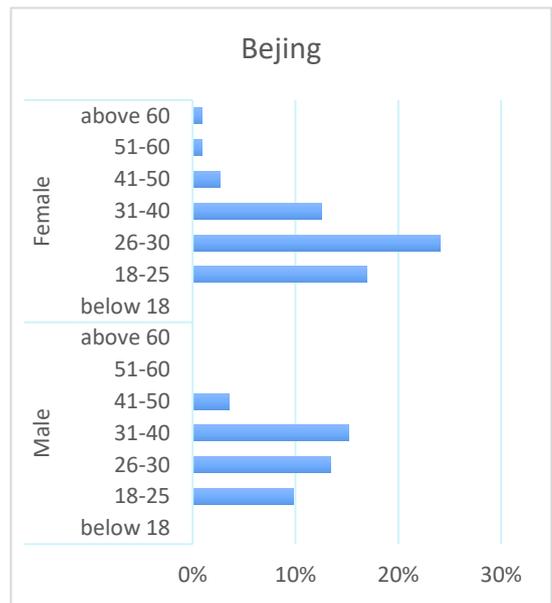
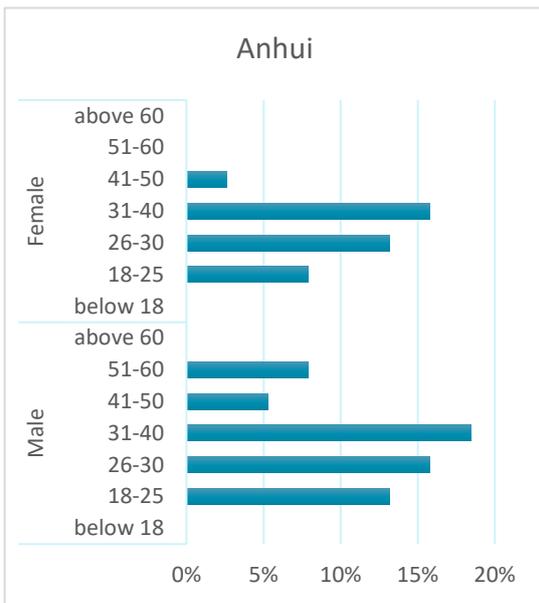
11.14.1 Gender Variable Segmentation

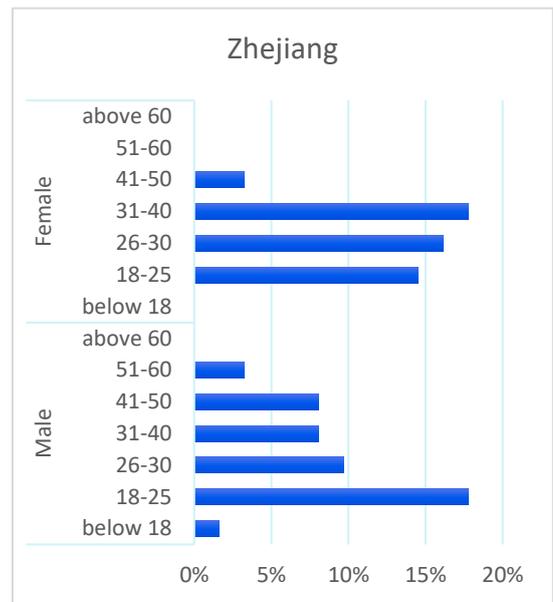
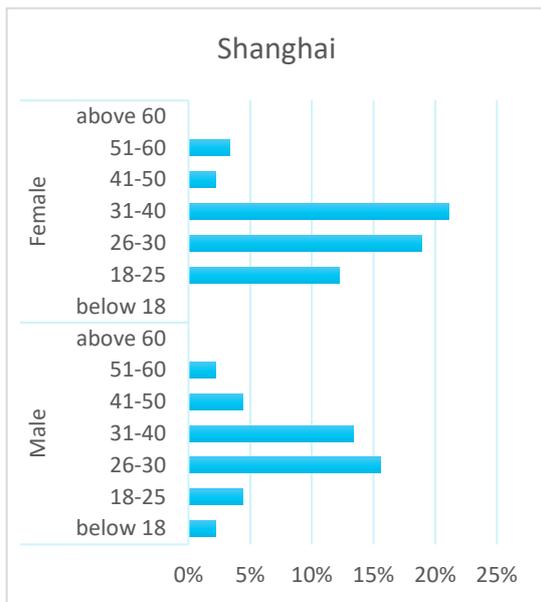


11.14.2 Age Variable Segmentation

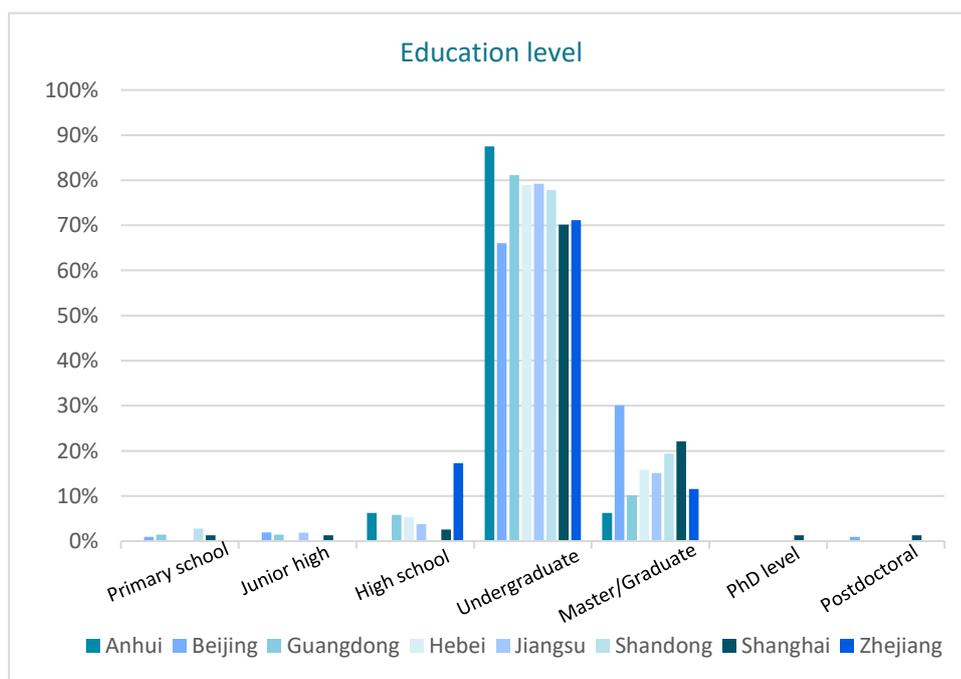


Age segment percentage distribution by gender for each province





11.14.3 Education Variable Segmentation



11.14.4 Occupation Variable Segmentation

	Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang	Total
Full-time student	18.8%	25.2%	21.7%	15.8%	11.3%	19.4%	6.5%	23.1%	18.1%
Manufacturing staff	15.6%	5.8%	5.8%	5.3%	5.7%	0.0%	1.3%	3.8%	5.0%
Salesperson	9.4%	5.8%	8.7%	10.5%	7.5%	13.9%	7.8%	5.8%	7.9%
Marketing/PR staff	6.3%	4.9%	1.4%	5.3%	1.9%	5.6%	5.2%	3.8%	4.1%

Customer service staff	3.1%	1.9%	2.9%	0.0%	0.0%	0.0%	1.3%	3.8%	1.8%
Administrative/support staff	0.0%	1.9%	5.8%	0.0%	9.4%	5.6%	5.2%	0.0%	3.9%
HR staff	3.1%	1.9%	10.1%	10.5%	1.9%	0.0%	6.5%	3.8%	4.5%
Finance/audit staff	3.1%	5.8%	1.4%	0.0%	9.4%	0.0%	3.9%	3.8%	4.1%
Office clerk	15.6%	7.8%	7.2%	10.5%	13.2%	8.3%	7.8%	11.5%	9.5%
R&D staff	9.4%	10.7%	14.5%	10.5%	13.2%	13.9%	16.9%	13.5%	13.2%
Managerial staff	9.4%	14.6%	8.7%	21.1%	24.5%	8.3%	20.8%	11.5%	15.0%
Teacher	0.0%	2.9%	4.3%	5.3%	0.0%	5.6%	6.5%	0.0%	3.2%
Consultant	0.0%	0.0%	1.4%	0.0%	0.0%	5.6%	0.0%	0.0%	0.7%
Professionals (e.g. accountant, lawyer, architect, medical personnel, journalist)	3.1%	4.9%	4.3%	5.3%	0.0%	5.6%	2.6%	11.5%	4.5%
Other	3.1%	5.8%	1.4%	0.0%	1.9%	8.3%	7.8%	3.8%	4.5%

11.14.5 English Proficiency Band Explained

Beginner (A1) - Can understand and use familiar everyday expressions and very basic phrases aimed at the satisfaction of needs of a concrete type. Can introduce him/herself and others and can ask and answer questions about personal details such as where he/she lives, people he/she knows and things he/she has. Can interact in a simple way provided the other person talks slowly and clearly and is prepared to help.

Elementary (A2) - Can understand sentences and frequently used expressions related to areas of most immediate relevance (e.g. very basic personal and family information, shopping, local geography, employment). Can communicate in simple and routine tasks requiring a simple and direct exchange of information on familiar and routine matters. Can describe in simple terms aspects of his/her background, immediate environment and matters in areas of immediate need.

Intermediate (B1) - Can understand the main points of clear standard input on familiar matters regularly encountered in work, school, leisure, etc. Can deal with most situations likely to arise whilst travelling in an area where the language is spoken. Can produce simple connected text on topics which are familiar or of personal interest. Can describe experiences and events, dreams, hopes & ambitions and briefly give reasons and explanations for opinions and plans.

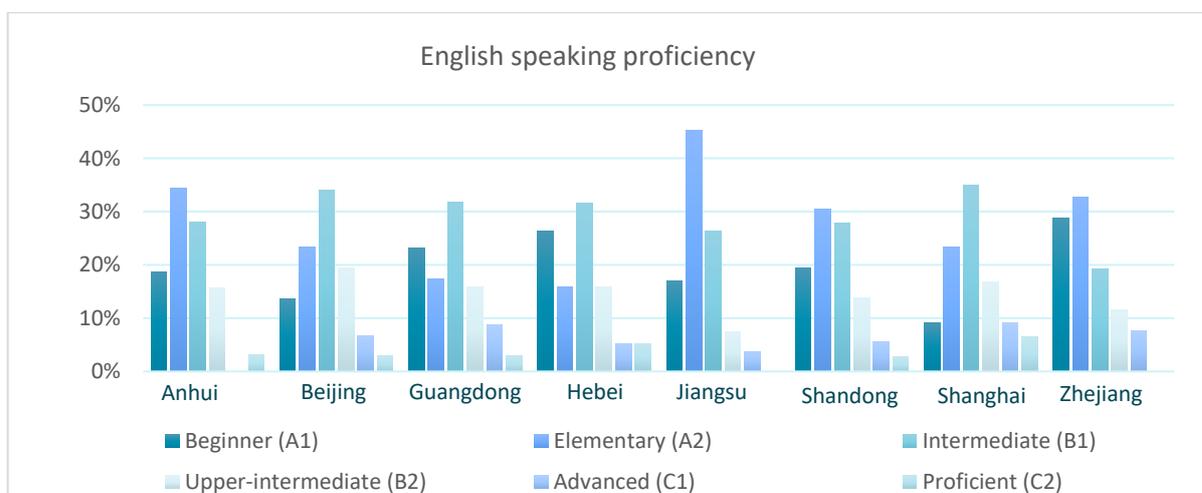
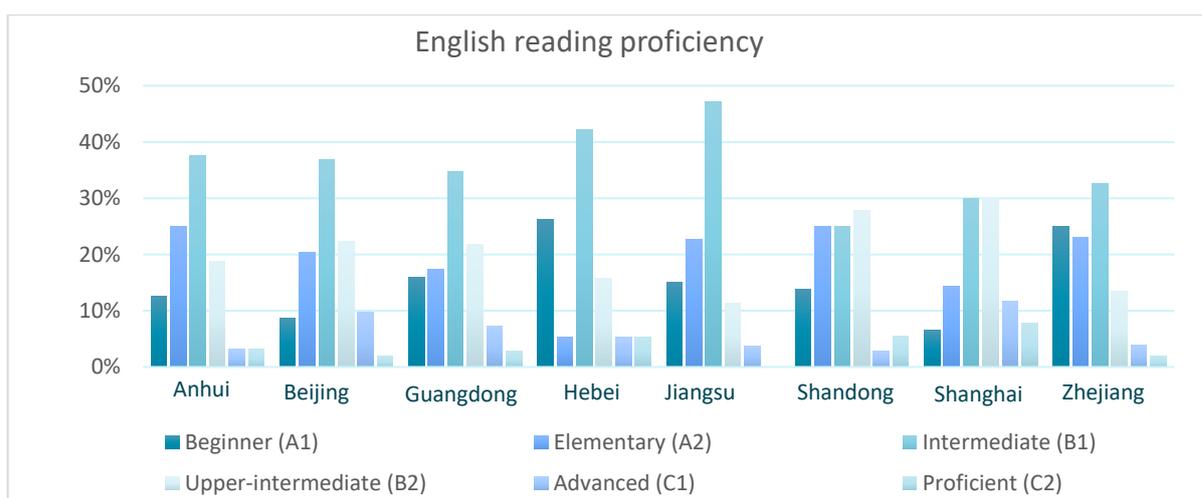
Upper-intermediate (B2) - Can understand the main ideas of complex text on both concrete and abstract topics, including technical discussions in his/her field of specialisation. Can interact with a degree of fluency and spontaneity that makes regular interaction with native speakers quite possible

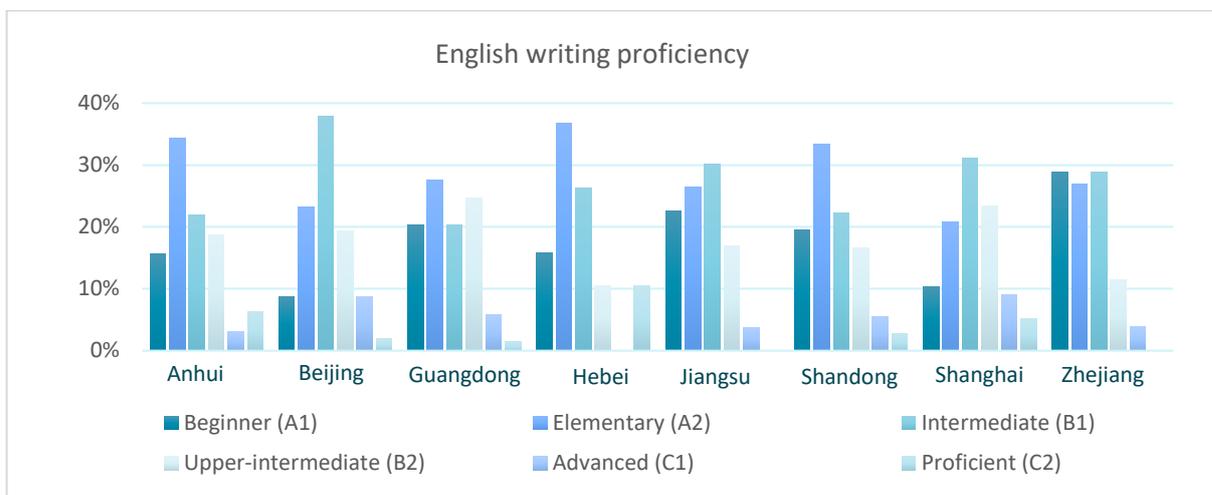
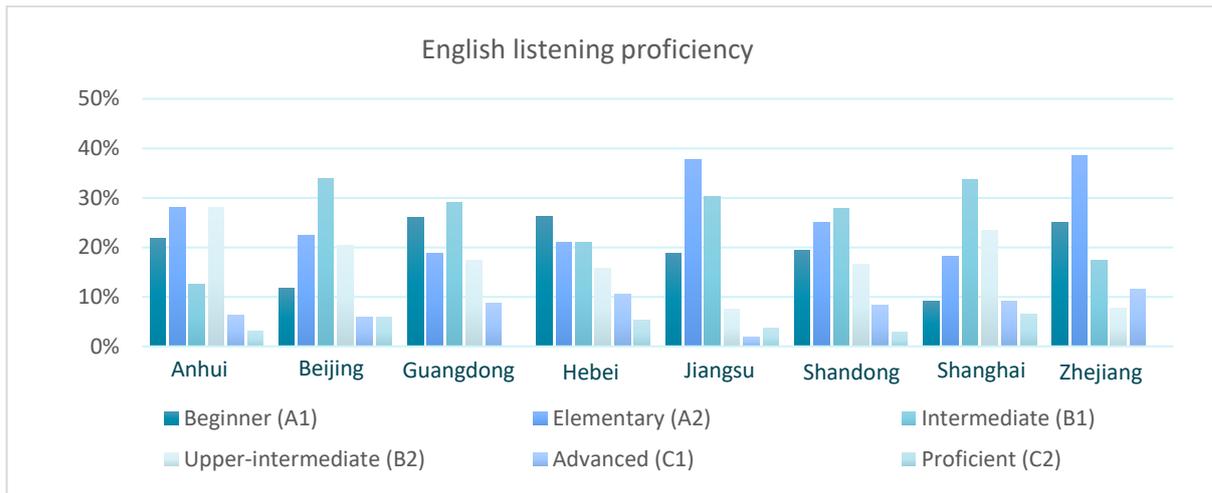
without strain for either party. Can produce clear, detailed text on a wide range of subjects and explain a viewpoint on a topical issue giving the advantages and disadvantages of various options.

Advanced (C1) - Can understand a wide range of demanding, longer texts, and recognise implicit meaning. Can express him/herself fluently and spontaneously without much obvious searching for expressions. Can use language flexibly and effectively for social, academic and professional purposes. Can produce clear, well-structured, detailed text on complex subjects, showing a controlled use of organisational patterns, connectors and cohesive devices.

Proficient (C2) - Can understand with ease virtually everything heard or read. Can summarise information from different spoken and written sources, reconstructing arguments and accounts in a coherent presentation. Can express him/herself spontaneously, very fluently and precisely, differentiating finer shades of meaning even in more complex situations.

11.14.6 English Proficiency per Province





English language proficiency percentage divided according to the four skills of language, i.e. reading, speaking, listening, and writing, per province

	Reading						Speaking					
	Beginner (A1)	Elementary (A2)	Intermediate (B1)	Upper-intermediate (B2)	Advanced (C1)	Proficient (C2)	Beginner (A1)	Elementary (A2)	Intermediate (B1)	Upper-intermediate (B2)	Advanced (C1)	Proficient (C2)
Anhui	12.50%	25.00%	37.50%	18.75%	3.13%	3.13%	18.75%	34.38%	28.13%	15.63%	0.00%	3.13%
Beijing	8.74%	20.39%	36.89%	22.33%	9.71%	1.94%	13.59%	23.30%	33.98%	19.42%	6.80%	2.91%
Guangdong	15.94%	17.39%	34.78%	21.74%	7.25%	2.90%	23.19%	17.39%	31.88%	15.94%	8.70%	2.90%
Hebei	26.32%	5.26%	42.11%	15.79%	5.26%	5.26%	26.32%	15.79%	31.58%	15.79%	5.26%	5.26%
Jiangsu	15.09%	22.64%	47.17%	11.32%	3.77%	0.00%	16.98%	45.28%	26.42%	7.55%	3.77%	0.00%
Shandong	13.89%	25.00%	25.00%	27.78%	2.78%	5.56%	19.44%	30.56%	27.78%	13.89%	5.56%	2.78%
Shanghai	6.49%	14.29%	29.87%	29.87%	11.69%	7.79%	9.09%	23.38%	35.06%	16.88%	9.09%	6.49%
Zhejiang	25.00%	23.08%	32.69%	13.46%	3.85%	1.92%	28.85%	32.69%	19.23%	11.54%	7.69%	0.00%

	Listening						Writing					
	Beginner (A1)	Elementary (A2)	Intermediate (B1)	Upper-intermediate (B2)	Advanced (C1)	Proficient (C2)	Beginner (A1)	Elementary (A2)	Intermediate (B1)	Upper-intermediate (B2)	Advanced (C1)	Proficient (C2)
Anhui	21.88%	28.13%	12.50%	28.13%	6.25%	3.13%	15.63%	34.38%	21.88%	18.75%	3.13%	6.25%
Beijing	11.65%	22.33%	33.98%	20.39%	5.83%	5.83%	8.74%	23.30%	37.86%	19.42%	8.74%	1.94%
Guangdong	26.09%	18.84%	28.99%	17.39%	8.70%	0.00%	20.29%	27.54%	20.29%	24.64%	5.80%	1.45%
Hebei	26.32%	21.05%	21.05%	15.79%	10.53%	5.26%	15.79%	36.84%	26.32%	10.53%	0.00%	10.53%

Jiangsu	18.87%	37.74%	30.19%	7.55%	1.89%	3.77%	22.64%	26.42%	30.19%	16.98%	3.77%	0.00%
Shandong	19.44%	25.00%	27.78%	16.67%	8.33%	2.78%	19.44%	33.33%	22.22%	16.67%	5.56%	2.78%
Shanghai	9.09%	18.18%	33.77%	23.38%	9.09%	6.49%	10.39%	20.78%	31.17%	23.38%	9.09%	5.19%
Zhejiang	25.00%	38.46%	17.31%	7.69%	11.54%	0.00%	28.85%	26.92%	28.85%	11.54%	3.85%	0.00%

11.15 Time-Based Segmentation

11.15.1 Years of Studying English

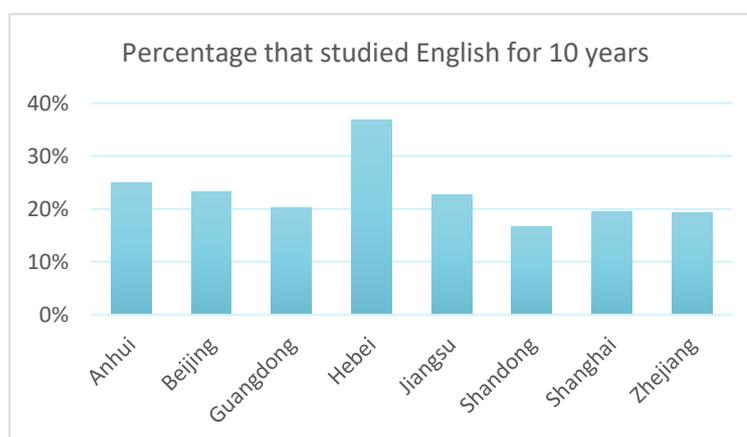
Percentage of age segment who have learnt English for 10 years

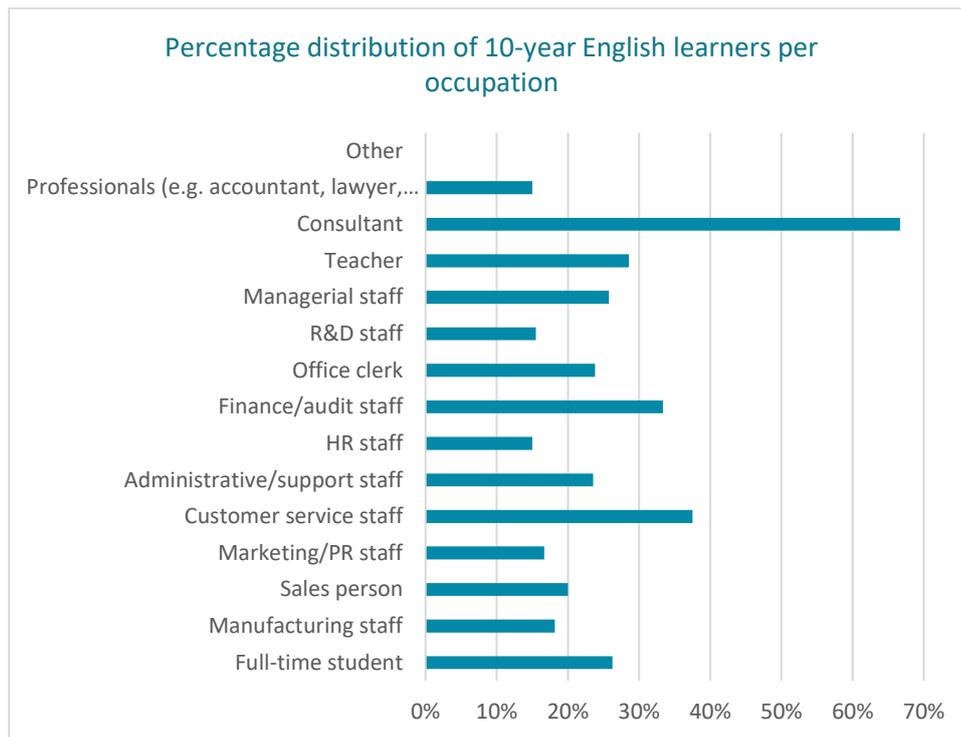
Age Segment	18 – 25	26 – 30	31 – 40
% of people who have learnt English for 10 years	23.5%	22%	20.3%

Provincial distribution of English learners according to the years invested in this language

Countries	Average years of studying English	% of people who have learnt English for more than 10 years	% of people who have learnt English for 10 years	Other outstanding %s
Anhui	9.6	68.75%	25.0%	15.6% - 12 years
Beijing	11.75	67.96%	23.3%	11.7% - 15 years
Guangdong	9.6	57.97%	20.3%	13% - 5 years
Hebei	11	73%	36.8%	
Jiangsu	9.94	56.6%	22.6%	13.2% - 15 years
Shandong	11	63.88%	16.7%	11% - 12 years 11% - 20 years
Shanghai	10	63.94%	19.5%	20% - 10 years
Zhejiang	9.4	53.84%	19.2%	21.8% - 10 years

Distribution of English learners with 10 years of experience per occupation

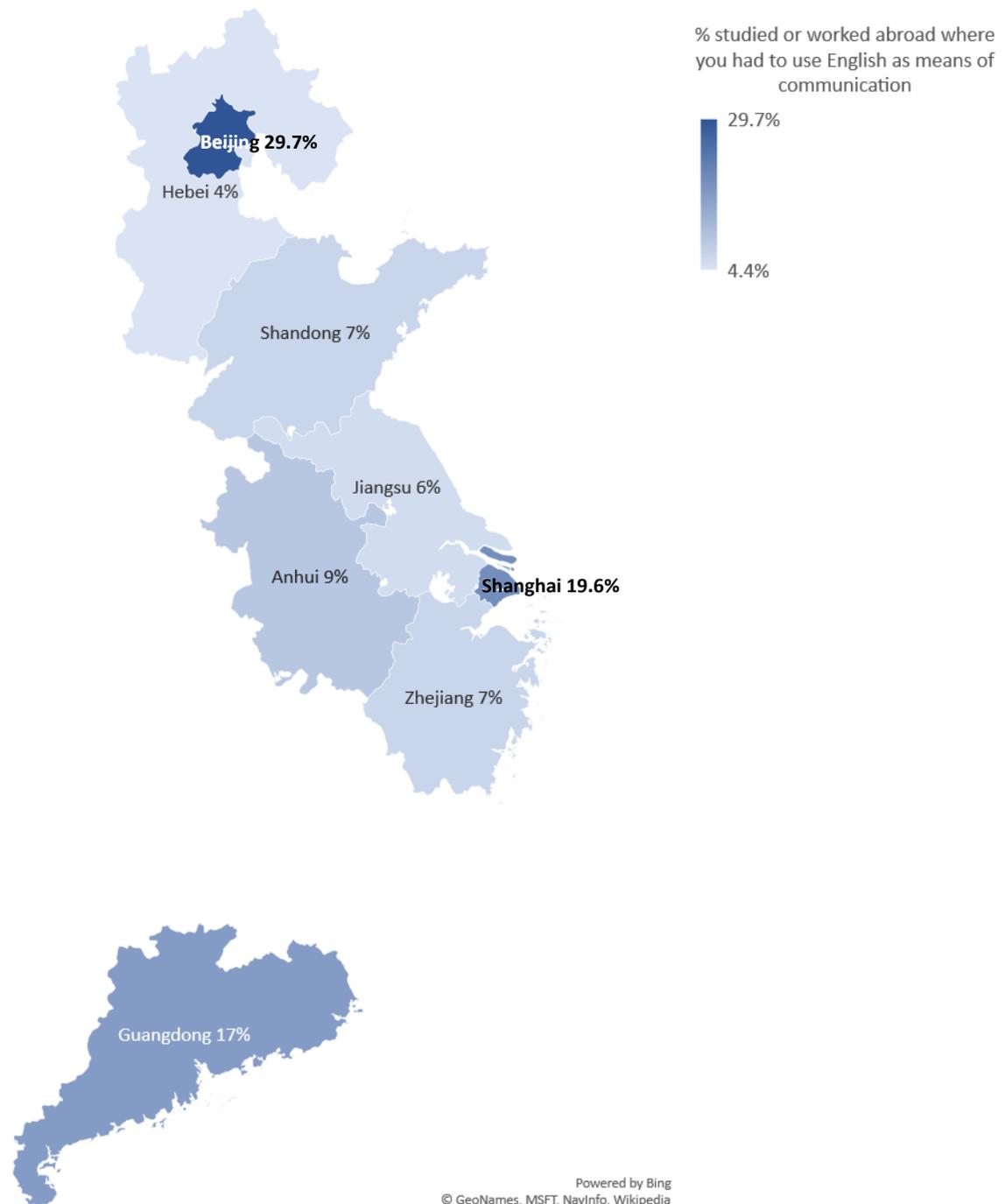




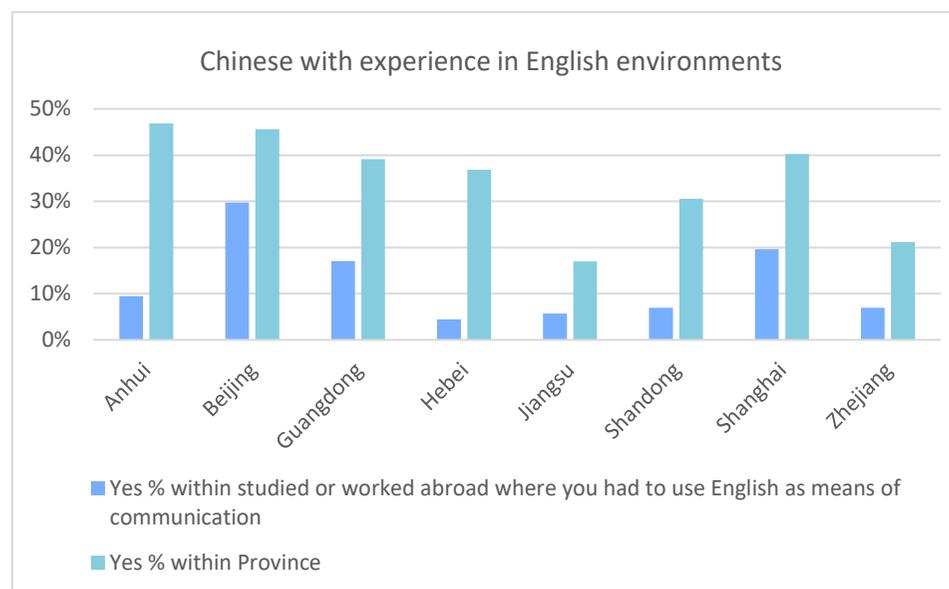
<i>Full-time student</i>	Manufacturing staff	Salesperson	Marketing/PR staff	Customer service staff	Administrative/support staff	HR staff	Finance/audit staff	Office clerk	R&D staff	Managerial staff	Teacher	Consultant	Professionals (e.g. accountant, lawyer, architect, medical personnel, journalist)	Other
26.3 %	18.2 %	20 %	16.7 %	37.5 %	23.5 %	15 %	33.3 %	23.8 %	15.5 %	25.8 %	28.6 %	66.7 %	15%	0 %

11.15.2 Chinese with Experience in English-only study or work environment

Chinese with experience in English-only study or work environment



			Province							Total	
			Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang	
<i>Have you studied or worked abroad where you had to use English as means of communication?</i>	Yes	% within studied or worked abroad where you had to use English as means of communication	9.5%	29.7%	17.1%	4.4%	5.7%	7%	19.6%	7%	100%
		% within Province	46.9%	45.6%	39.1%	36.8%	17%	30.6%	40.3%	21.2%	35.8%
No		% within studied or worked abroad where you had to use English as means of communication	6%	19.8%	14.8%	4.2%	15.5%	8.8%	16.3%	14.5%	100%
		% within Province	53.1%	54.4%	60.9%	63.2%	83%	69.4%	59.7%	78.8%	64.2%
Total		% within studied or worked abroad where you had to use English as means of communication	7.3%	23.4%	15.6%	4.3%	12%	8.2%	17.5%	11.8%	100%
		% within Province	100%	100%	100%	100%	100%	100%	100%	100%	100%



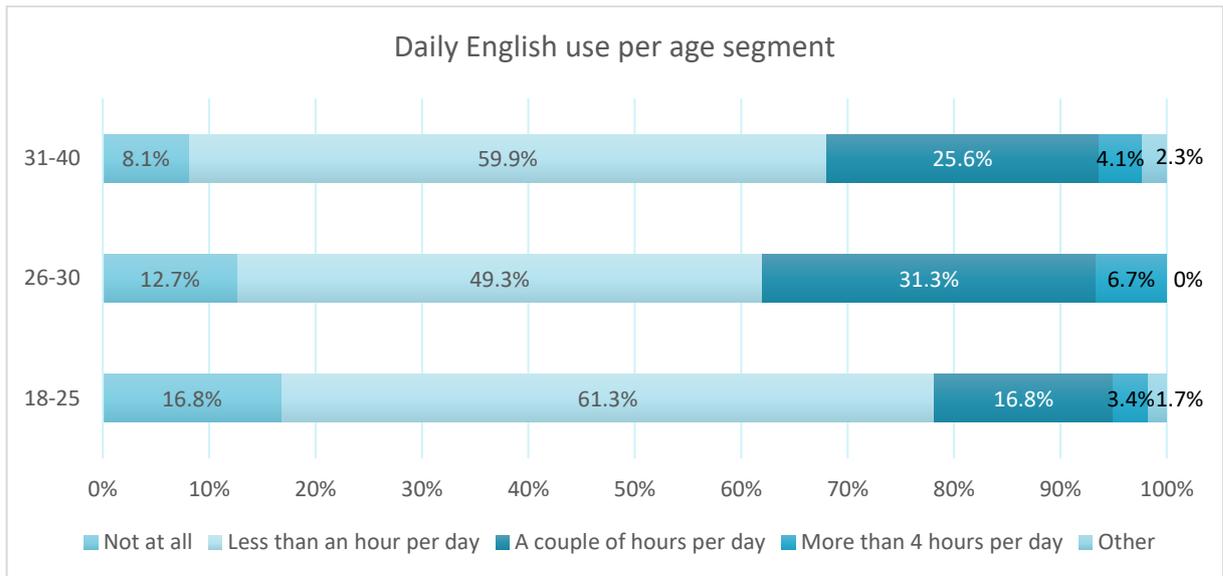
11.15.3 Use of English in Daily Life

Cross-tabulated with Sex Segments

		Sex		Total	
		Male	Female		
<i>Time using English in daily life</i>	Not at all	% within daily life	41.5%	58.5%	100%
		% within sex segment	11.2%	12.7%	12%
	Less than an hour per day	% within daily life	44.8%	55.2%	100%
		% within sex segment	56.9%	56.6%	56.7%
	A couple of hours per day	% within daily life	51.4%	48.6%	100%
		% within sex segment	28.9%	22.1%	25.2%
	More than 4 hours per day	% within daily life	23.8%	76.2%	100%
		% within sex segment	2.5%	6.6%	4.8%
	Other	% within daily life	16.7%	83.3%	100%
		% within sex segment	0.5%	2%	1.4%
<i>Total</i>		% within daily life	44.7%	55.3%	100.0%
		% within sex segment	100%	100%	100.0%

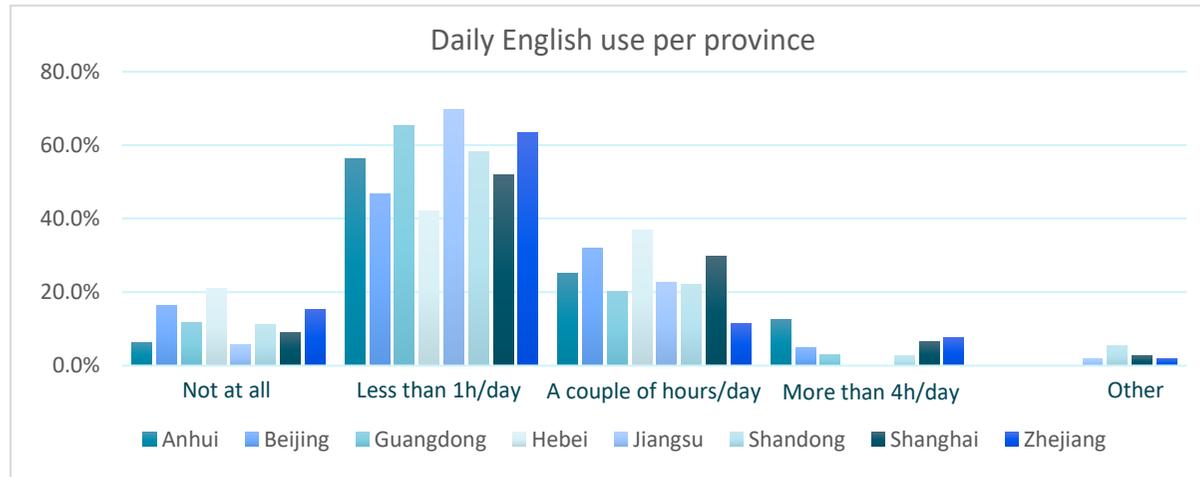
Cross-tabulated with Age Segments

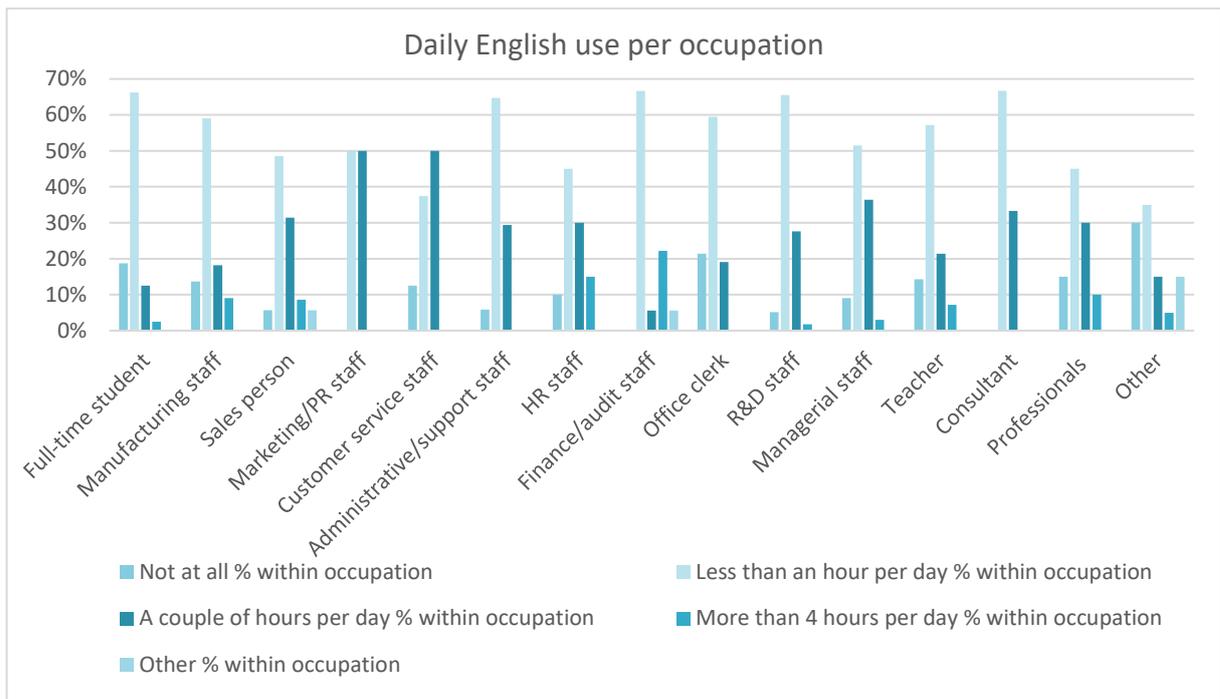
		Age segment			Total	
		18-25	26-30	31-40		
<i>Time using English in daily life</i>	Not at all	% within daily life	37.7%	35.8%	26.4%	100%
		% within age segment	16.8%	12.7%	8.1%	12%
	Less than an hour per day	% within daily life	29.2%	29.6%	41.2%	100%
		% within age segment	61.3%	49.3%	59.9%	56.7%
	A couple of hours per day	% within daily life	18%	42.3%	39.6%	100%
		% within age segment	16.8%	31.3%	25.6%	25.2%
	More than 4 hours per day	% within daily life	19%	47.6%	33.3%	100%
		% within age segment	3.4%	6.7%	4.1%	4.8%
	Other	% within daily life	33.3%	0%	66.7%	100%
		% within age segment	1.7%	0%	2.3%	1.4%
<i>Total</i>		% within daily life	27%	34%	39%	100%
		% within age segment	100%	100%	100%	100%



Cross-tabulated with Location Segments

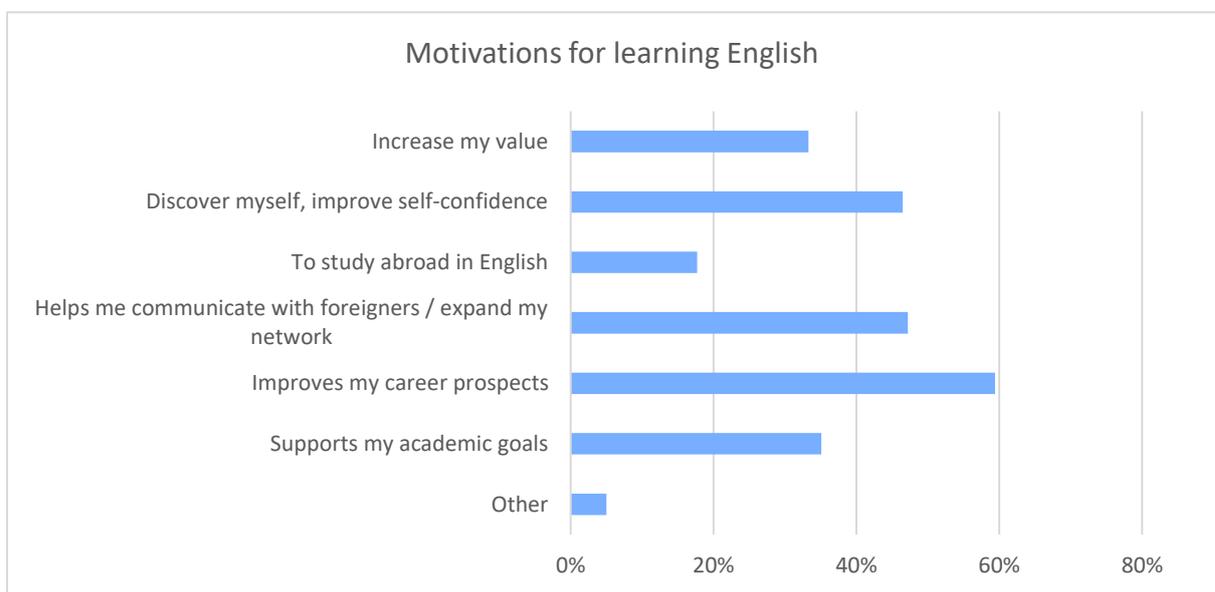
		Province								Total	
		Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang		
Time using English in daily life	Not at all	% within daily life	3.8%	32.1%	15.1%	7.5%	5.7%	7.5%	13.2%	15.1%	100%
		% within province	6.3%	16.5%	11.6%	21.1%	5.7%	11.1%	9.1%	15.4%	12%
Less than an hour per day		% within daily life	7.2%	19.2%	18%	3.2%	14.8%	8.4%	16%	13.2%	100%
		% within province	56.3%	46.6%	65.2%	42.1%	69.8%	58.3%	51.9%	63.5%	56.7%
A couple of hours per day		% within daily life	7.2%	29.7%	12.6%	6.3%	10.8%	7.2%	20.7%	5.4%	100%
		% within province	25%	32%	20.3%	36.8%	22.6%	22.2%	29.9%	11.5%	25.2%
More than 4 hours per day		% within daily life	19%	23.8%	9.5%	0%	0%	4.8%	23.8%	19%	100%
		% within province	12.5%	4.9%	2.9%	0%	0%	2.8%	6.5%	7.7%	4.8%
Other		% within daily life	0%	0%	0%	0%	16.7%	33.3%	33.3%	16.7%	100%
		% within province	0%	0%	0%	0%	1.9%	5.6%	2.6%	1.9%	1.4%
Total		% within daily life	7.3%	23.4%	15.6%	4.3%	12%	8.2%	17.5%	11.8%	100%
		% within province	100%	100%	100%	100%	100%	100%	100%	100%	100%





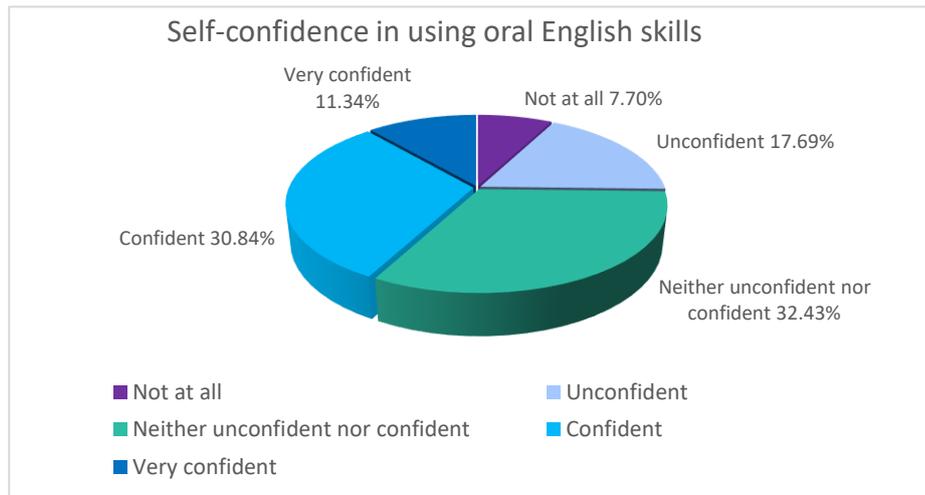
11.16 Psychographic Segmentation

11.16.1 Motivations for Learning English



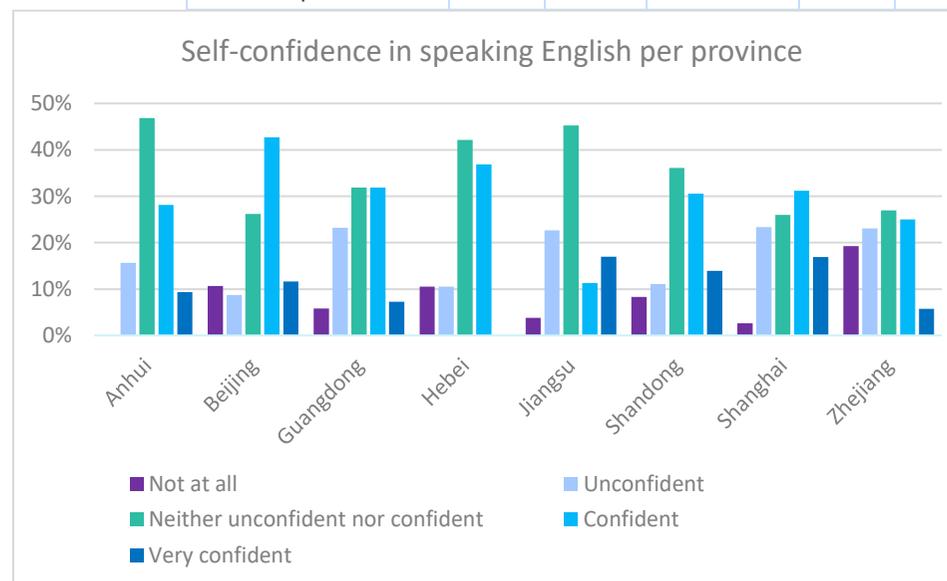
11.16.2 Self-Confidence in Using English to Communicate

	Percent
<i>Not at all confident</i>	7.70%
<i>Unconfident</i>	17.69%
<i>Neither unconfident nor confident</i>	32.43%
<i>Confident</i>	30.84%
<i>Very confident</i>	11.34%

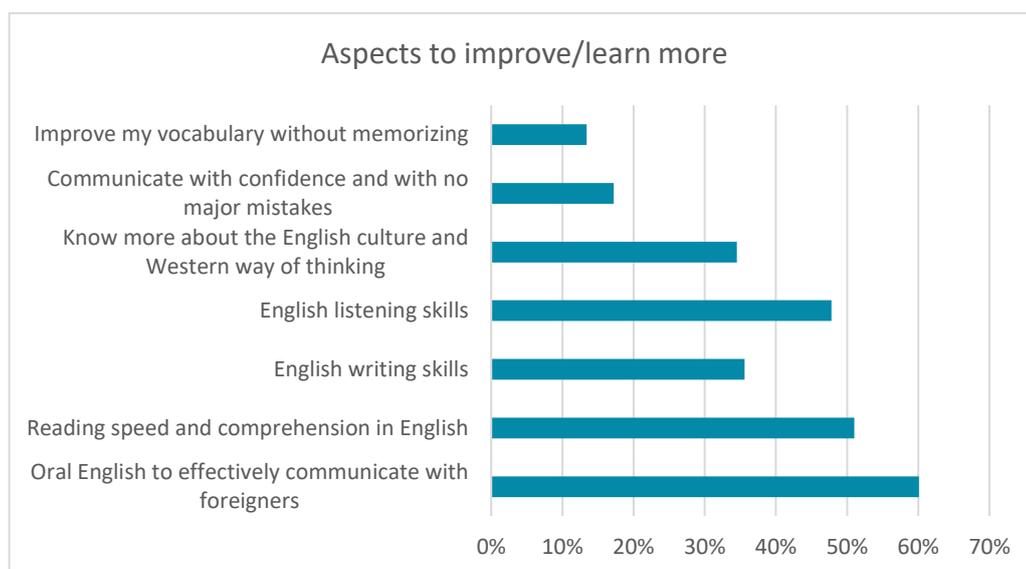


Self-confidence per province

		Province									Total
			Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang	
Self-confidence in using English to communicate	Not at all	% within province	0%	10.7%	5.8%	10.5%	3.8%	8.3%	2.6%	19.2%	7.7%
		% of total	0%	2.5%	0.9%	0.5%	0.5%	0.7%	0.5%	2.3%	7.7%
Unconfident	% within province	15.6%	8.7%	23.2%	10.5%	22.6%	11.1%	23.4%	23.1%	17.7%	
	% of total	1.1%	2%	3.6%	0.5%	2.7%	0.9%	4.1%	2.7%	17.7%	
Neither unconfident nor confident	% within province	46.9%	26.2%	31.9%	42.1%	45.3%	36.1%	26%	26.9%	32.4%	
	% of total	3.4%	6.1%	5%	1.8%	5.4%	2.9%	4.5%	3.2%	32.4%	
Confident	% within province	28.1%	42.7%	31.9%	36.8%	11.3%	30.6%	31.2%	25%	30.8%	
	% of total	2%	10%	5%	1.6%	1.4%	2.5%	5.4%	2.9%	30.8%	
Very confident	% within province	9.4%	11.7%	7.2%	0%	17%	13.9%	16.9%	5.8%	11.3%	
	% of total	0.7%	2.7%	1.1%	0%	2%	1.1%	2.9%	0.7%	11.3%	
Total		% within province	100%	100%	100%	100%	100%	100%	100%	100%	

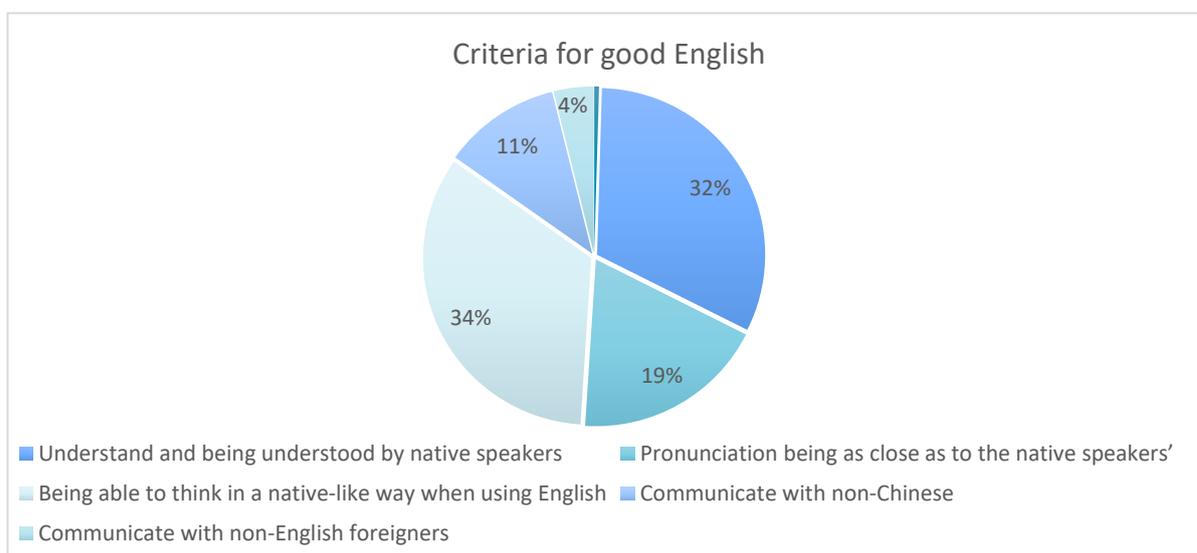


11.16.3 Aspects Eager to Improve



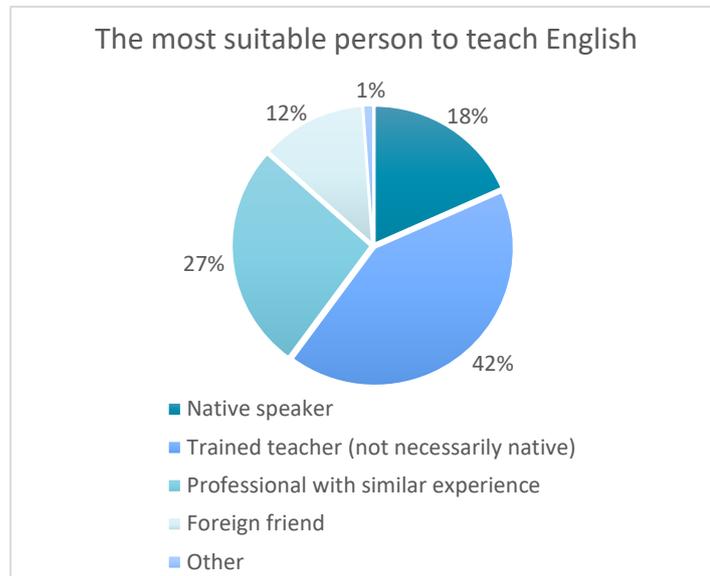
11.16.4 Criteria for Good English

Criteria for good English	Overall	Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang
<i>Understand and being understood by native speakers</i>	32%	40.6%	28.2%	27.5%	26.3%	32.1%	38.9%	42.9%	21.2%
<i>Pronunciation being as close as to the native speakers'</i>	19%	21.9%	17.5%	24.6%	21.1%	15.1%	11.1%	15.6%	23.1%
<i>Being able to think in a native-like way when using English</i>	34%	28.1%	39.8%	34.8%	26.3%	34.0%	30.6%	28.6%	36.5%
<i>Communicate with non-Chinese</i>	11%	9.4%	10.7%	11.6%	15.8%	15.1%	13.9%	7.8%	11.5%



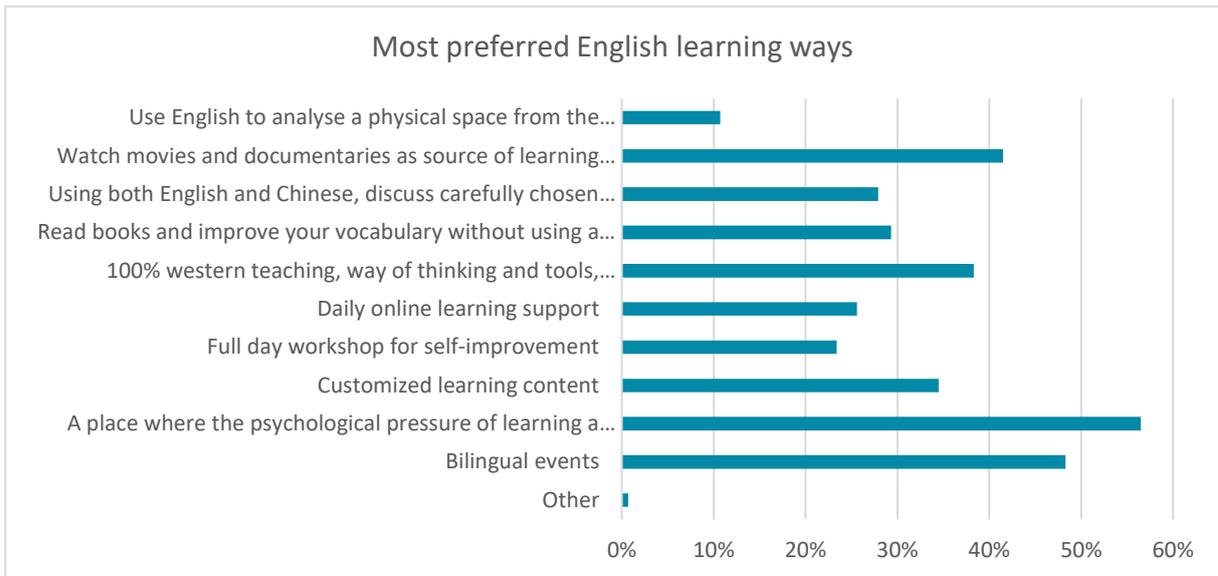
<i>Communicate with non-English foreigners</i>	4%	0.0%	1.9%	1.4%	10.5%	3.8%	5.6%	5.2%	7.7%
<i>Other</i>	0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

11.16.5 Respondents' Perspective on the Most Appropriate English Teacher

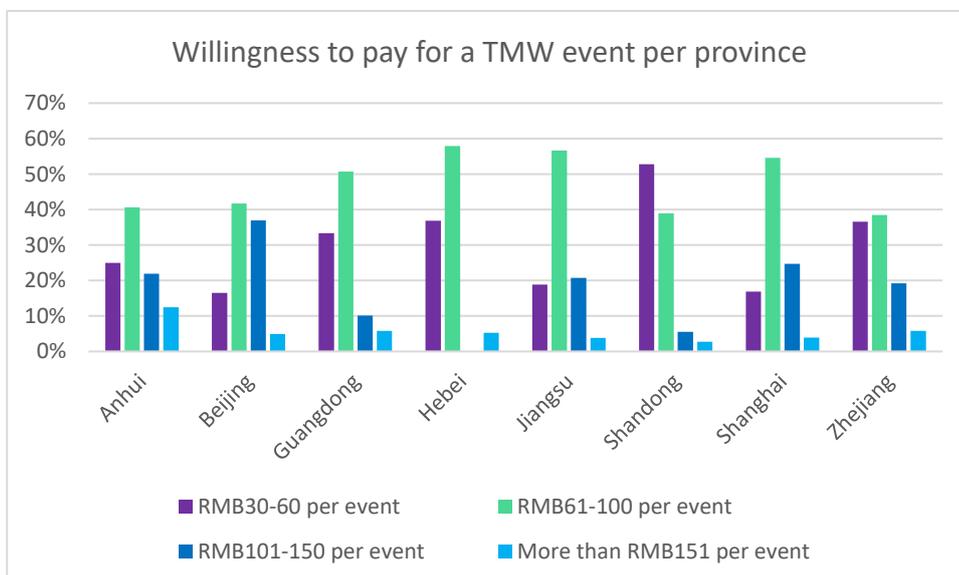
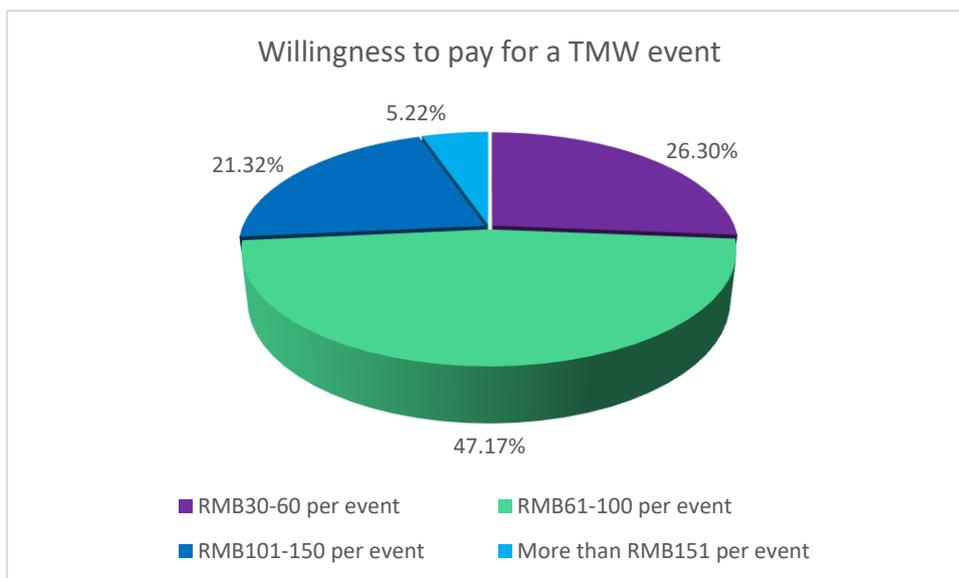


11.16.6 Most Preferred English Learning Methods

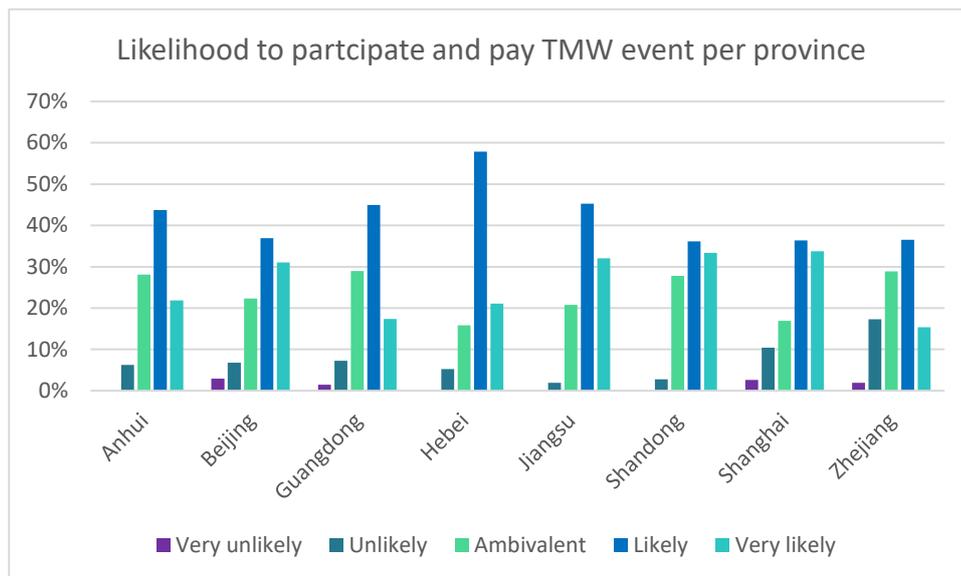
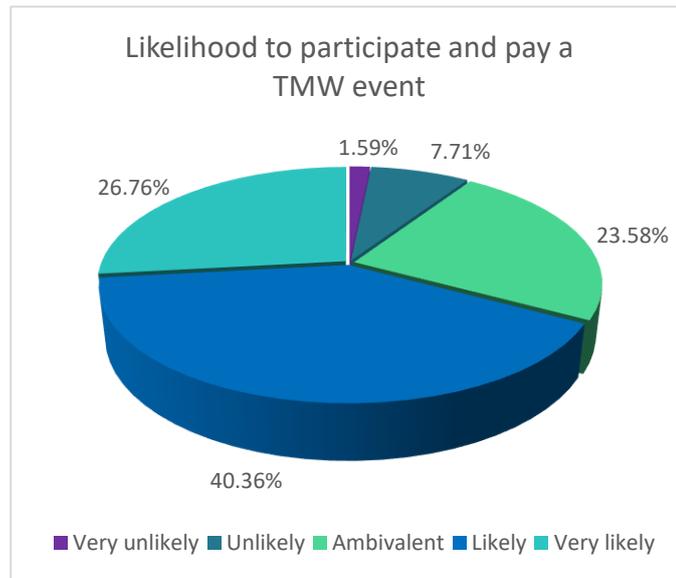
<i>Most preferred English learning ways</i>	Overall	Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang
Bilingual events	48.3%	53.1%	45.6%	37.7%	52.6%	41.5%	66.7%	48.1%	57.7%
A place where the psychological pressure of learning a language is diminished, a suitable language learning environment (not necessarily needing to go abroad)	56.5%	43.8%	54.4%	55.1%	52.6%	60.4%	66.7%	49.4%	71.2%
Customized learning content	34.5%	43.8%	36.9%	43.5%	10.5%	41.5%	36.1%	29.9%	19.2%
Full day workshop for self-improvement	23.4%	28.1%	28.2%	29%	15.8%	17%	19.4%	20.8%	19.2%
Daily online learning support	25.6%	21.9%	26.2%	23.2%	36.8%	32.1%	13.9%	32.5%	17.3%
100% western teaching, way of thinking and tools, including theoretical knowledge and group activities but adapted to the Chinese culture and needs	38.3%	46.9%	41.7%	44.9%	31.6%	37.7%	33.3%	32.5%	32.7%
Read books and improve your vocabulary without using a dictionary, and discuss it together with other people	29.3%	18.8%	32%	30.4%	26.3%	30.2%	44.4%	26.0%	23.1%
Using both English and Chinese, discuss carefully chosen topic with different people in an inclusive environment while enjoying breakfast	27.9%	18.8%	22.3%	37.7%	36.8%	22.6%	33.3%	27.3%	30.8%
Watch movies and documentaries as source of learning English as well as about environmental sustainability	41.5%	34.4%	39.8%	43.5%	36.8%	45.3%	41.7%	42.9%	42.3%
Use English to analyse a physical space from the EP perspective	10.7%	6.3%	8.7%	11.6%	21.1%	13.2%	8.3%	7.8%	15.4%
Other	0.7%	0%	1.9%	0%	0%	0%	0%	0%	1.9%



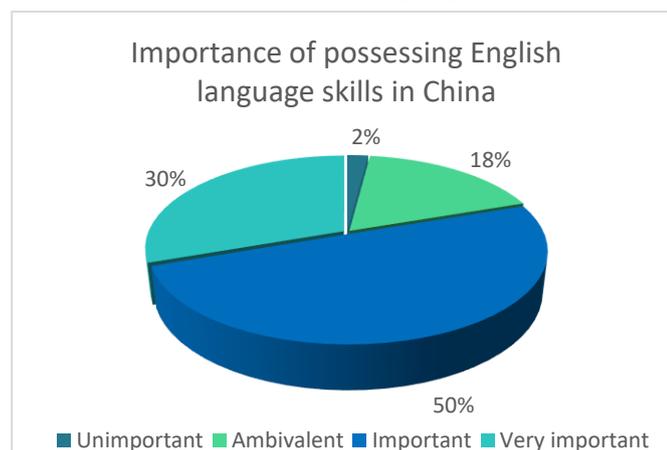
11.16.7 Willingness to Pay for a TMW Event



11.16.8 Likelihood of Attending and Paying for a TMW Event



11.16.9 Importance of Possessing English Language Skills in China



	Overall	Anhui	Beijing	Guangdong	Hebei	Jiangsu	Shandong	Shanghai	Zhejiang
<i>Not at all important</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<i>Unimportant</i>	2%	3.1%	0%	2.9%	0%	0%	2.8%	5.2%	1.9%
<i>Ambivalent</i>	18%	31.3%	15.5%	23.2%	15.8%	15.1%	16.7%	10.4%	21.2%
<i>Important</i>	50%	34.4%	50.5%	55.1%	63.2%	49.1%	47.2%	50.6%	48.1%
<i>Very important</i>	30%	31.3%	34%	18.8%	21.1%	35.8%	33.3%	33.8%	28.8%

