

# bda

## Due Diligence on Entstudy and Changingedu

Sept 16, 2015

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- **Executive Summary**
- Product Introduction
- Value Propositions
- Execution Capability
- Monetization
- Management
- User Feedback

- **Product Introduction: Entstudy focuses on building up a platform and user/teacher network, while Changingdu emphasizes on matching teachers with students and offering offline services**
  - Entstudy adopts a listing model for parents to choose teachers, while Changingedu chooses the matching model
  - For now, both of Entstudy and Changingedu focus on expanding their teacher inventory and building up online transaction system
  - In mid-to-long term, they will try to increase user stickiness with different add-value services
    - Entstudy: Improve its interaction platforms to help teachers cooperate with each other, and develop teaching tools
    - Changingedu: Enhance its teaching tools and leverage educational resources from XRS and Zhikang
- **Value Propositions: For students, Entstudy expects better quality with strict recruiting procedure; Changingedu hopes to ensure the quality by offline services; Neither is proven for now; for teachers, Entstudy provides value by networking effects, which may devalue the platform; while Changingedu offers institution-like offline services, which is too heavy**
  - Student Sourcing: Entstudy helps teachers to form workshops to facilitate sharing of students to enlarge everyone's student pool  
Changingedu involves TA in student-teacher matching process and further in serving process in order to ensure bilateral suitability
    - Our concerns: teachers on Entstudy might depend less on the platform after forming workshop; Changingedu's model is too heavy for scale expansion, and we do not see much difference made with offline institutions in Changingedu's model
  - Promoting Reputation: Apparently Entstudy's model can better promote teachers' personal brand images to retain good teachers in the long-term
    - Our concerns: Entstudy may only appeal to a small scale of teachers; Changingedu's matching system makes it less effective in teacher's personal branding, and further makes the platform less attractive to both teachers and parents;
  - Management Tools and Service: The two do not differentiate much in management tools, but significantly differ in offline services, in which EntStudy believes in survival of the fittest, while Changingedu insists on a more traditionally operation; Neither concept has been proven today, although the latter appears more in control
  - Training and Teaching Research: Neither provides much help on training and teaching research

- **Monetization: While Entstudy may have issues with scale and a clear model, Changingedu faces profitability challenges**
  - We reckon that it is possible for the two companies to charge either commission fee or one-time referral fee, depending on the services they provide
  - Entstudy might face difficulty in realizing revenue with its light operation strategy, while Changingedu's challenge is to earn profit margin from its heavy offline operation.
- **Execution Capability: Both companies are identified with suspicious orders, and the proportion of Changingedu is higher; Entstudy expanded more quickly and operated more efficiently owing to a higher proportion of small classes**
  - Verification of Entstudy & Changingedu's Accounts: Out of 2,000 accounts under verification, 21% and 32% are supposed to be questionable on Entstudy and Changingedu respectively; Both management do not adopt the most strict actions on checking fraudulent orders
  - Entstudy completed the same level of courses volume with Changingedu but generated larger GMV, since Entstudy involved more small classes that contributed to higher charge per hour
  - In terms of user scale, Entstudy has acquired much more teachers and students than Changingedu. However, most of Entstudy's users are still at wait-and-see stage, leading to lower activeness
  - Entstudy invested more in offering subsidies, but at a lower proportion of total GMV compared to Changingedu
  - Changingedu's operating staff in different cities can manage more teachers due to its TA system, but each operating staff of Entstudy contribute more GMV

- **Management: While both management teams are overall capable, Entstudy's core team deserves more attention on their stability, and Changingedu's team lacks internet experience and a clear product strategy**
  - Entstudy's core management team are overall capable: They have worked together for a much longer time with more chemistry
  - Background check indicates Changingedu's management team are overall capable and professional while their fitness with the O2O world and their teamwork is unproven
- **Teachers' feedback: Teachers from Entstudy are more likely to recommend the platform to others**
  - Teachers from both platforms are attracted primarily for student sourcing
  - Currently all the teachers upload their offline classes online, only a small portion of the teachers from both Entstudy and Changingedu have received and retained new students from the two platforms
  - Teachers care most about student sourcing ability and reputation when choosing a platform to work with
  - While teachers from both platforms are overall satisfied, teachers from Entstudy are more likely to recommend the platform to others
- **Parents' feedback: Both retained and churned users on Entstudy are more satisfied with the platform than those on Changingedu**
  - Most parents do not have much difficulty finding good teachers;
  - Going for recommendation from friends is the most popular way for parents to search for teachers/courses, and most of them find freelance teachers at last;
  - Good teaching quality is ranked as the most important factor when looking for teachers. Once quality is guaranteed, parents are willing to use the platform;
  - Both retained and churned users on Entstudy are more satisfied with the platform than those on Changingedu;
  - Teacher who had left Entstudy complained about the differential treatment and great stress, while former Changingedu tutors were dissatisfied with enrolment assistance and subsidy policies

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### Basics

#### Entstudy



#### Changingedu



#### Company Profile

- **Established:** 2014
- **Management background**
  - Hao ZHANG, Founder and CEO: Founded Kuaile (快乐学习) in 2006 after graduating from college
  - Xin YAO, investor and partner: founded PPTV
  - Most other management members have followed Hao ZHANG for more than 10 years since they worked together at Kuaile

#### History

- **Dec 14:** Launched its 1<sup>st</sup> version APP
- **Jan 15:** Pre A round financing from VP of Tencent
- **Jun 15:** USD 20 MN B-round financing from Tencent
- **Jul 15:** 0.2+ BN post valuation with financing from Kunling and Fenxiang

#### Key Metrics (August)

- **City coverage:** 13 cities
- **No. of registered teachers:** 9,359, 43% active in August
- **No. of registered students:** 124,318, 18% active in August
- **Gross GMV:** RMB 107 MN

- **Established:** Oct 2014
- **Management background**
  - Changke LIU, Founder: founded Onlyedu (昂立教育) and successfully led it to back-door listing in A stock; 20+ years of experience in education
  - Zhiguo HU, Founder: co-founder of Jingrui (精锐教育)
  - Zheng LUO, Co-founder& Product Manager: has experience in the gaming industry and other entrepreneur experience

- **Jun. 14:** Launched its 1<sup>st</sup> version APP

- **Feb. 15:** Round A financing from IDG and Trustbridge
- **May. 15:** Round B financing from Sequoia and XRS
- **Jun. 15:** XRS led USD 0.1 BN C round financing

- **City coverage:** 11 cities
- **No. of registered teachers:** 5,489, 71% active in August
- **No. of registered students:** 22,557, 41% active in July
- **Gross GMV:** RMB 32 MN

Entstudy has a recruiting procedure for teachers and lists their profiles for parents to browse and choose; Changingedu currently acquires teachers with the help of offline TAs and adopts a matching method to help parents find teachers

## Current



Accumulate  
and manage  
teacher  
inventory

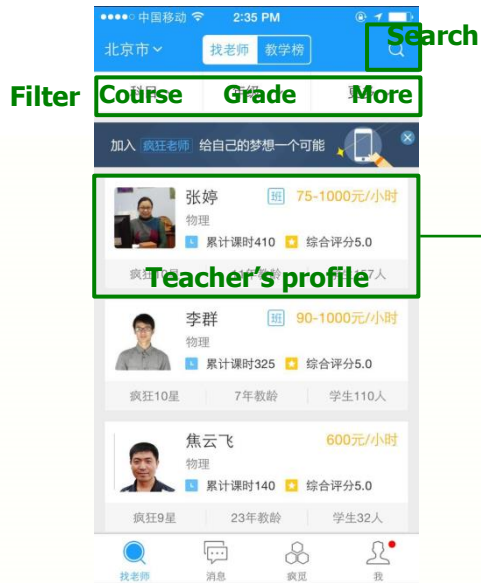
- **Acquire teachers with a examining procedure**
  - Entstudy stresses its strict review system for screening qualified and effective teachers.
  - Teachers have to pass the written test, interview test as well as certification test before he officially becomes a member on Entstudy. Each teacher will also get a rating on his quality, which decides their hourly income on Entstudy.
- **Display teachers' profiles to parents through listings**
  - Entstudy directly lists teachers' profiles on its APP for parents to choose. High-rating teachers are listed higher, and currently the searching function is still weak.
- **Acquire teachers with the help of TA (teaching assistant)**
  - Changingedu recruits full-time teaching assistants to develop and manage its teachers; they help screen, verify, categorize and upload teachers' information. They also provide other services for teachers such as marketing, communicating with parents, etc.
- **Match the teachers with students with certain filter conditions**
  - By matching the tags on both teachers and students such as course, gender and character in the back-end of the system, Changingedu expects to find the most suitable one-on-one teacher for each student.



### Interface



#### List out teachers' profile



#### Sign up for a course

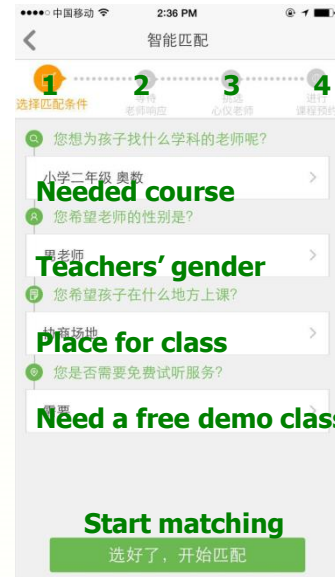


Sign up



您的私人家庭教师

#### Matching conditions



1. Matching conditions
2. Wait for confirming orders
3. Choose a favorite teacher
4. Schedule a lesson

#### Matching...



Find 5 teachers,  
0 have confirmed order

Both of them have built up full-cycle online transaction platforms for purchasing lessons, managing teaching process, and evaluating the learning outcome inside the APP

## Current



Set up  
online  
transaction  
system

- **Online transaction system:** Entstudy emphasizes on **social tools** to help complete its transaction system
  - **Purchase and pay lessons:** teachers' payment is settled monthly with the help of online payment tools.
  - **Communicate:** Students can directly send messages to teachers with **the IM tool inside**; a **social community for teachers and parents** is embedded and users can post their comments on lessons.
  - **Evaluate learning outcome:** parents can directly comment on teachers' quality of work and rate within the APP.
- **Online transaction system:** Teaching tools have been developed to better manage the teaching process and finish online transactions.
  - **Purchase and pay lessons:** teachers' payment is settled daily with the help of online payment tools.
  - **Manage teaching process:** the **teaching calendar** makes it convenient to arrange classes and saves time.
  - **Evaluate learning outcome: learning record** is embedded and students can get feedbacks from teachers. Parents can also check the homework completion status and students' performance, and comment on teacher's work
  - **Quality control:** Changingedu tries to ensure the quality of the teaching process **with the offline supervision of TA**

## Interface



IM tool



Social community

Post from parents



Teaching calendar



Learning record

In the mid-to-long term, Changingedu hopes to enhance its teaching tools and leverage educational resources from XRS and Zhikang, while Entstudy focuses more on helping teachers cooperate with each other, as well as enhancing its teaching materials and training system

## Mid-to-long term



Add-value services to increase user stickiness

- **Improve interaction within the platform**
  - **Teacher interaction:** By introducing members of the student pool to each other, **teachers on different subjects may share additional enrollment and spontaneously join together to found independent workshops**, which is quite meaningful to teachers.
  - **Parent interaction:** Parents have a demand of communication with teacher, and the community will help them find good teachers through word of mouth, the most effective way of marketing.
  - **Student and teacher interaction:** Communication between students and teachers will increase user stickiness and improve teaching quality.
- **Enhance its teaching materials and training system**
  - Entstudy aims to become the traffic entrance platform of K-12 in future, and teaching materials are needed such as video lessons, textbooks, etc
  - Teachers need training in operating and marketing to promote their own brand on the platform, and such training is helpful in keeping high-quality teachers on the platform.

- **Enhance its teaching tools**

- With the management's plan to launch teaching tools such as lecture notes, question bank and homework assignments, Changingedu aims to increase user stickiness to keep both teachers and students on the platform.

*"Hopefully we'll add more teaching tools in the near future. We find that it's quite inconvenient for teachers to print lecture notes in their offline lessons, yet we have high-quality contents from XRS, so we are likely to offer more content online to help achieve better teaching outcomes."*

*-Mr. Luo, product manager of Changingedu*

- **Leverage resources from XRS and Zhikang**

- **Integrate with Zhikang:** Most of Zhikang's resources including teachers and students will be diverted to Changingedu; Currently Zhikang has been undergoing internal adjustment and the cooperation has just started in Guangzhou.
- **Cooperate with XRS:** XRS has rich resources in teaching materials and a standardized training system for teachers. Changingedu will share XRS's the K-12 resources and hopes to gradually establish competitive advantages in teaching and research.

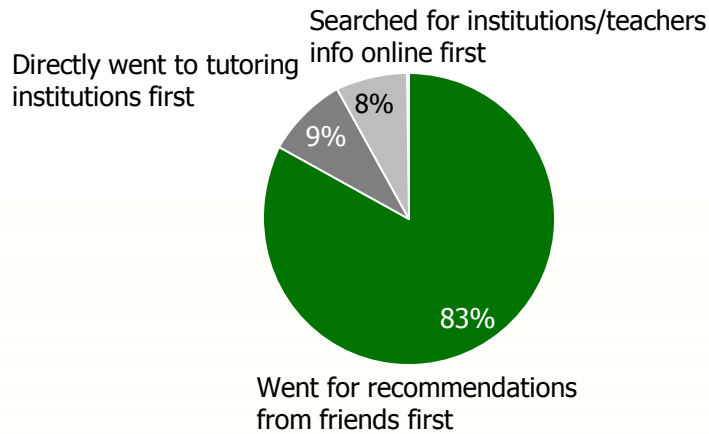
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- Execution Capability
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On demand side, recommendation from friends is the primary channel for parents to look for teachers, and currently the matching efficiency seems not a significant pain point for parents...

**Parents' Behavior while Looking for Teachers**

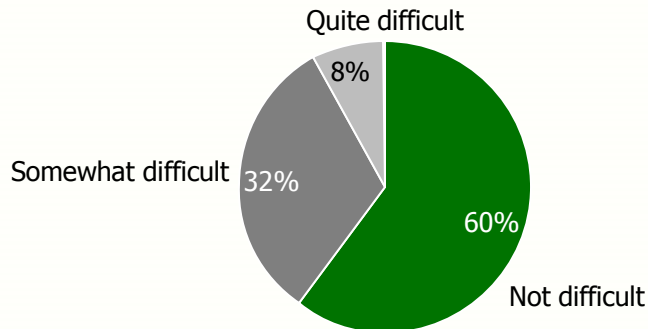
**Q: What's your priority channel while looking for a teacher? (Single selection)**

N=78



**Q: Do you find it difficult to look for teachers considering both teaching effect and suitability? (Single selection)**

N=72



*"... Teaching quality is the key factor to consider while selecting teachers, I believe those whom my friends give praise to, are of higher reliability..."*

*-Mr. Zhang, Parent*

*"...I do not really trust offline tutoring institutions, where most teachers are young and lack of experience. I prefer to choose teachers referred by my friends, since they are usually proved to be of better teaching capability..."*

*-Mrs. Wang, Parent*

*"...Most of my friends have children at the same age with mine, and we always refer good teachers to our social circle. Therefore, it's not difficult for us to look for good tutors..."*

*-Mrs. Li, Parent*

*"...Of course, it does take time to select a suitable tutor for children. However, it seems not that difficult if you inquire of other parents and communicate well with your children..."*

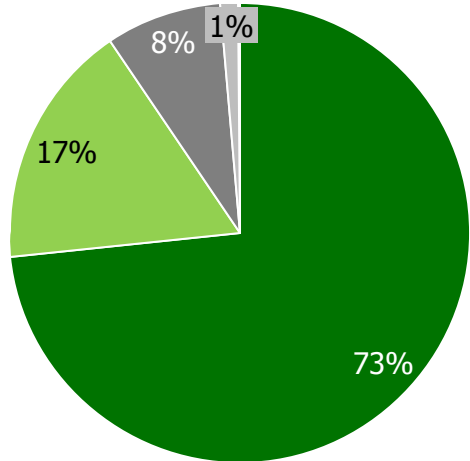
*-Mrs. Li, Parent*

But we also learn that once an effective rating and information system is established online, most parents are willing to choose the Internet as an alternative way to look for teachers...

## Parents' Attitude towards Looking for a Tutor Online

**Q: If the teachers' background profile, course information and student comments are all available online, will you consider looking for a tutor on the Internet? (Single selection)**

N=75



- Yes
- It depends on whether there are good teachers online
- No, I still prefer the recommendations from friends
- No, I still prefer to go to the institution

### Selected Comments from Parents

- Some parents feel it necessary to establish effective rating and profile systems since they have concerns about the quality of tutors online...

*"I am concerned about the quality of tutors online, so it is important to provide their teaching qualification certificates on the platform..."*

— Mrs. Fan, Parent

*"A rating system may help me improve the efficiency of looking for a good teacher online..."*

— Mrs. Qiu, Parent

- Others also expect to have a better interaction with teachers online...

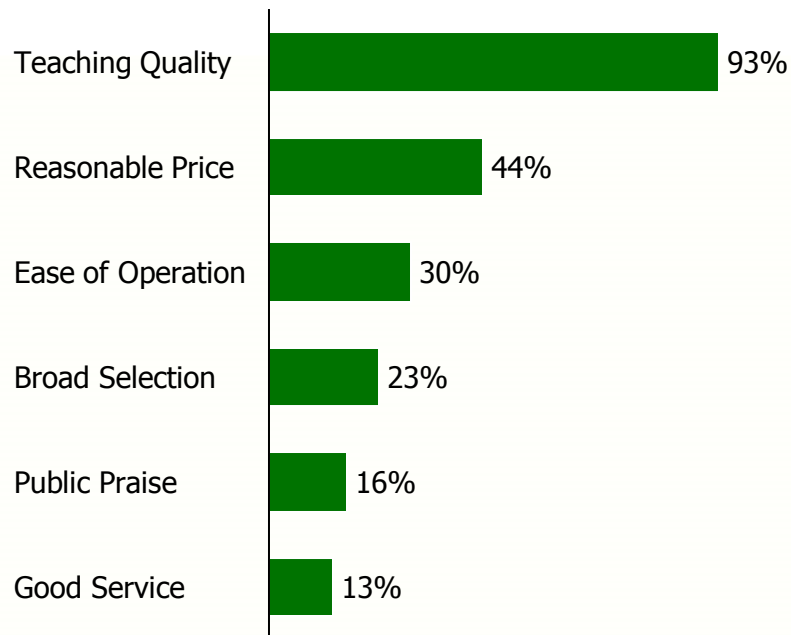
*"I much look forward to a communication system between teachers and parents being established online, so that I can get feedback from teachers in the time after class..."*

— Mrs. Yang, Parent

## Parents' Use of Online Platform

**Q. What factors do you consider while using a platform to choose tutors? (Multiple selections)**

N=61



## Comments from Parents

*"...I have tried the APP to search for new teachers for my child, and I hope background information of teachers will be more abundant..."*

—Mr. Chen, Parent

*"...Currently, I have no need to find new teachers. In the future, I may look for teachers through online platform, since it has recorded teachers' performance and students' comments..."*

—Mrs. Lin, Parent

*"...When I am searching for tutoring teachers, teaching quality is what I value most. As long as the teacher could help my child's performance, either channel is acceptable..."*

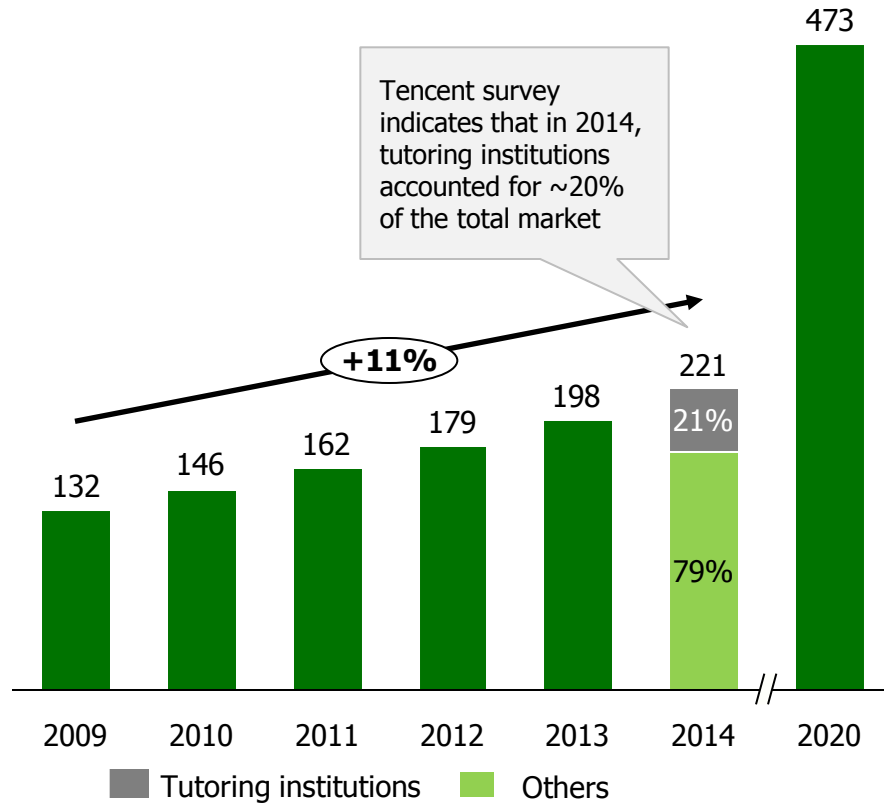
—Mrs. Huang, Parent



On supply side, non-institutional market accounted for about 80% of total K-12 afterschool tutoring market; most freelancers were from public schools and tutoring institutions

### K-12 Afterschool Tutoring Market Size and Segment

Unit: RMB BN



### Types of Teachers

Public School Teachers

- Get stable but **low pay** from their formal job
- Give tutoring classes organized by schools or themselves privately due to official ban
- **Stable student base from** the school
- Relatively **high teaching quality**

Tutoring Institution Teachers

- Get **small proportion of their tuition fees** with a stable job
- Some of them give **extra tutoring classes** out of the institutions to earn more money
- Obtain students directly from institutions
- Various levels of teaching ability

Freelancers

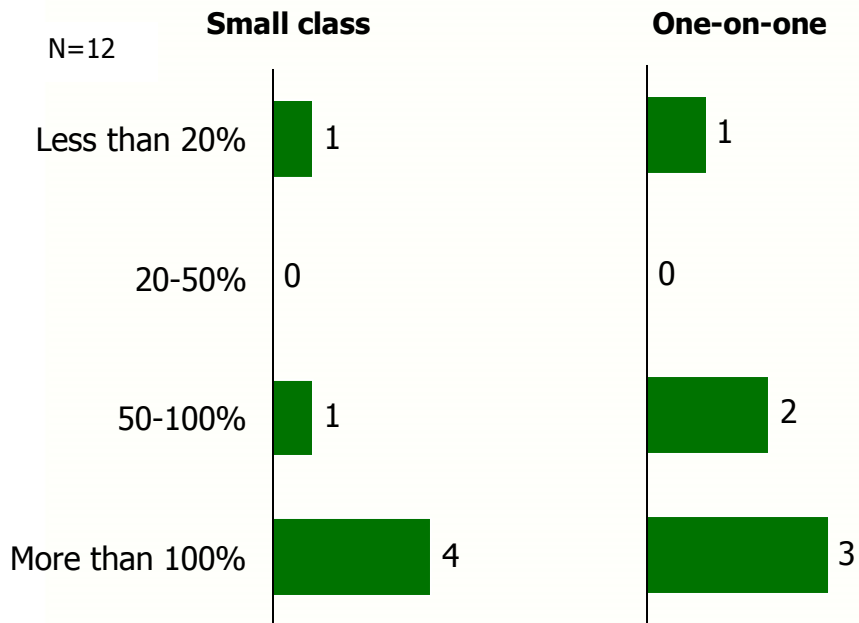
- **Had left public schools or tutoring institutions** for years
- Work as **freelancers or small studios**
- Mainly rely on reputation for enrolment, and some may also resort to advertising
- Various levels of teaching ability

And the unit economic proves that teachers have incentives to become freelanced ones, which enables O2O platforms to acquire them

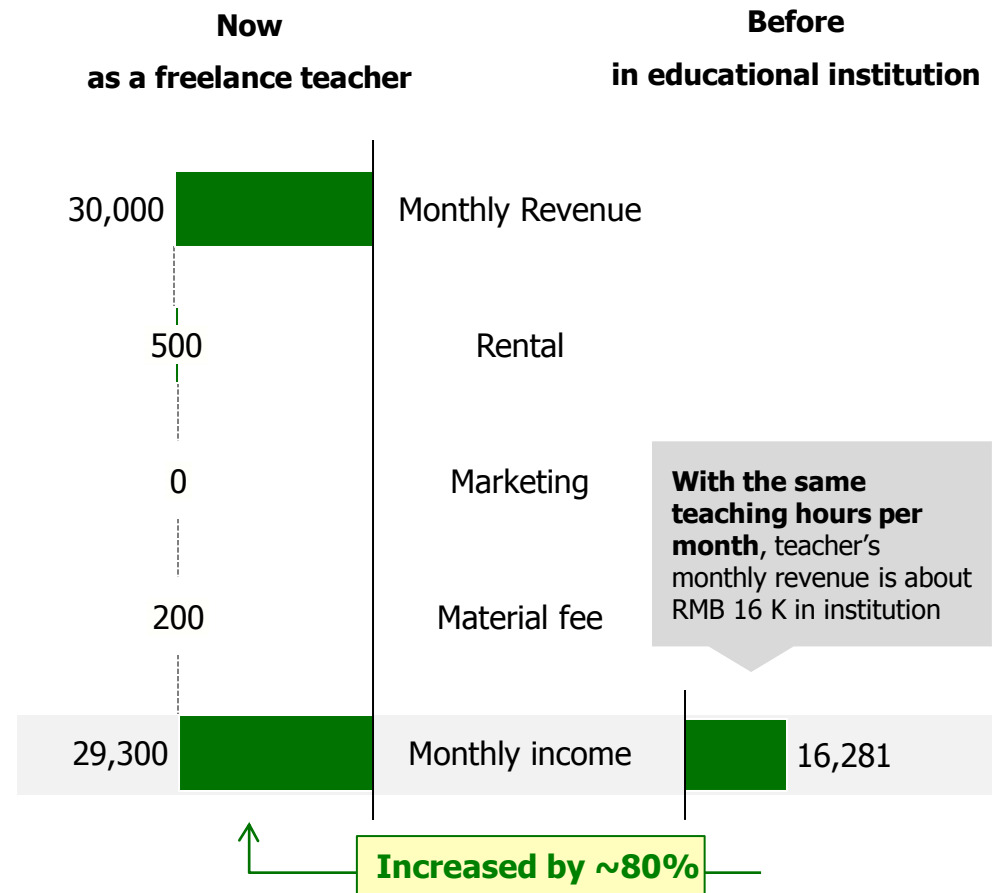
### As a Freelance Teacher vs. In Education Institutions

- BDA interviewed 12 teachers and found that freelance teachers have much more net income per hour compared with what they have in educational institutions
  - As a freelance teacher:** need to afford extra costs such as rental, marketing fee, utility fee, teaching material fee, etc.
  - In education institutions:** almost all income from institutions can be left as net profit for teachers

### Hourly Net Income Growth after Leaving Institutions



### Typical Case-Income Structure of Ms. Kang, Monthly



Entstudy currently acquires more small-class teachers because they are of higher quality and have a deep supply of potential students; Changingedu acquires more one-on-one teachers as it provides private tutoring service at the moment



### Target Teachers

- **Type of teachers: mostly small-class teachers with less than five students; some one-on-one teachers**
- **Reasons**
  - Entstudy claims that they only list good teachers, which requires teachers to have strong ability and enrollments. Thus small-class teachers are more suitable. There are also one-on-one teachers too.

*"Our slogan is to find good teachers on our platform, and we don't want those teachers who are not capable. We only want teachers who can proactively operate well by themselves."*

*-Mr. Zhang, founder of Entstudy*

*"It requires more skill for small-class teaching, including inciting students, standardizing teaching materials, etc. Most one-on-one teachers are not capable of being a small-class teacher."*

*-Mr. Zhang, co-founder of Entstudy*

### Comments from management

- **Type of teachers: almost all are one-on-one teachers**
- **Reasons**
  - Market of one-on-one tutoring is large enough
  - Changingedu says that it has few accumulated teaching materials and contents, which are quite important for small classes.
  - They feel it's easier to develop the small-class business from the one-on-one tutoring base, because it is easier to acquire teachers and they feel that it builds up barrier

*"We believe personal rapport and intimacy are essential for one-on-one tutoring besides teaching quality, so every teacher may be suitable for some students, considering their character. We only consider one-on-one for now because it's a large enough business."*

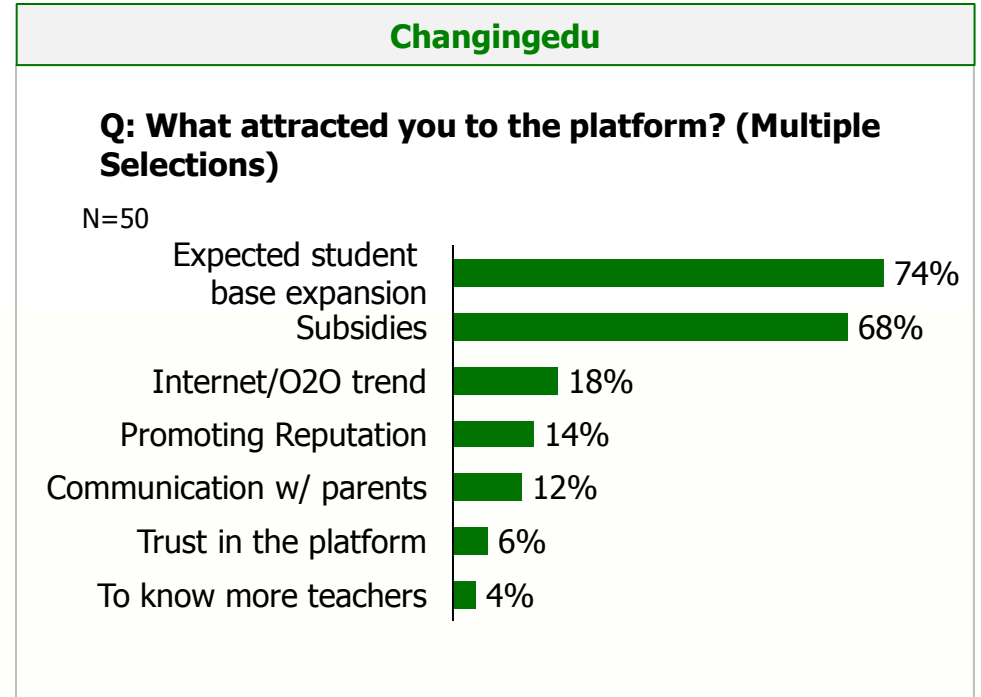
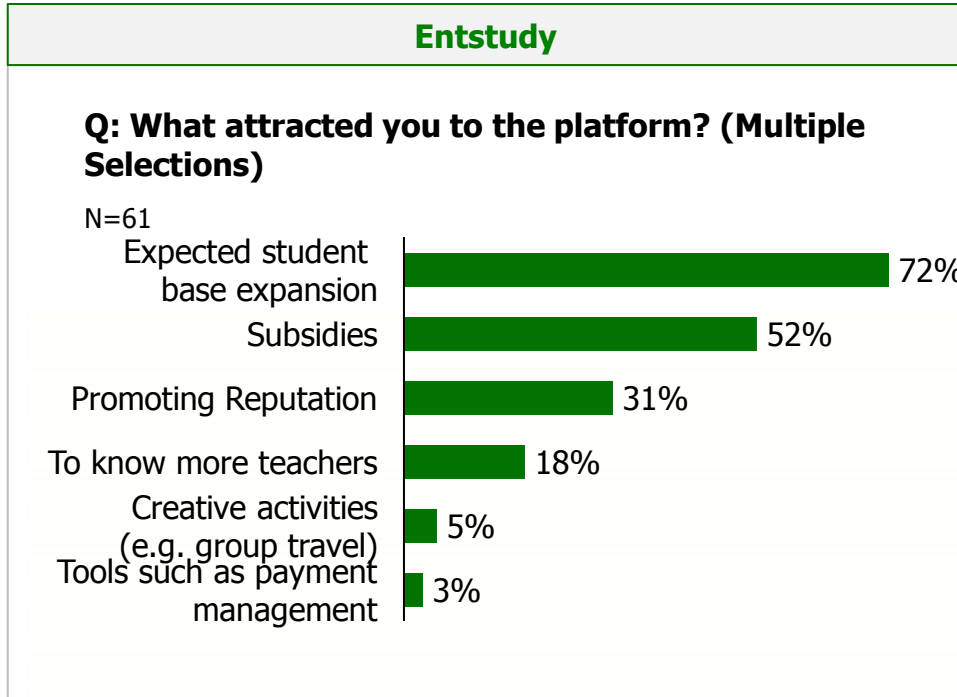
*-Mr. Liu, founder of Changingedu*

*"Now, the timing is premature for having small classes on our platform because it requires accumulation in teaching materials and content. Changingedu has little in terms of pre-existing resources. In the future we will consider small classes."*

*-Mr. Hu, co-founder of Changingedu*

From our survey on teachers we learned that what the teachers care the most is expanding their student base, followed by subsidies and reputation building

### Key Reasons for Teachers to Join the Platforms



- While subsidies are a major reason for teachers to join, the student base is actually their core concern and major pain point

*"The platform allows for personal promotion and a place to know other teachers; and of course, to get more students ultimately..."*

— Teacher from Entstudy

*"The trend of O2O and the Internet is one major reason, too: if in the future everyone gets students online, nobody wants to be left out..."*

— Teacher from Changingedu

*"I am not sure whether the platform can provide sufficient students for me, especially now as the platforms are just starting..."*

— Teacher from Entstudy

From the perspective of what teachers value most, we agree with some of the companies' ideas, but we still have some doubt

## Value Propositions to Teachers

## What We Agree; What We Concern

Entstudy



Changingedu



Higher Value for Teachers

1

### Student Sourcing

- **We Agree:** forming workshops to facilitate sharing of students to enlarge everyone's student pool; promoting the reputation of the platform as a collection of high quality teachers to foster word of mouth marketing.
- **We Concern:** teacher's dependency might drop; hard to guarantee teaching quality.

- **We Agree:** involving TAs in the student-teacher matching process and in service in order to ensure quality.
- **We Concern:** might need a huge team of TAs to sustain large-scale nationwide operation.

2

### Promoting Reputation

- **We Agree:** deliberately fostering top teachers' personal brand image; combining top teachers into offline marketing to achieve win-win for teacher and platform.
- **We Concern:** might lead to winner-takes-all

- **Concern:** the matching mechanism makes it less effective in personal branding; emphasizing suitability rather than "high quality teachers" might make the platform less attractive to parents and teachers;

3

### Education Management Tool & Service

- Provide similar tools on **schedule & payment**; plan to provide **homework** tool and **data analysis** tool;
- Focus more on the **service toward teachers**

- Focus on **servicing both teacher and parents** to build a **fluent connection**

4

### Training and Teaching Research

- **We Agree:** has many top teachers on platform that capable of training others;
- **We Concern:** only driven by self-motivated teachers

- **We Agree:** utilizes Zhikang's resource to train teachers on the platform;
- **We Concern:** Zhikang uses it sparingly

Lower Value for Teachers

Entstudy has a feasible plan in student sourcing both in the short-term and long-term; however, the forming of workshops may reduce the dependence on the platform, and how the actual teaching process goes is not guaranteed

1

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### Short-term Student Sourcing

#### What Entstudy Does

- Entstudy encourages teachers to form workshops, and then share their student pools within the workshop so that everyone enjoys a larger pool (illustrated in the next page)
  - It basically utilizes the organic sharing and recommendation mechanism between teachers and uses internet to enlarge it.

#### Our Concern about Entstudy

- Teacher's dependency on the platform might drop after forming workshops:
  - After forming workshops, teachers in group can all get instant boosts on students and revenue, and they might become less thirsty for new student from platforms.
  - With the new student network, a popular teacher can start to self-supply to get sustainable student enrollment, which might threaten the platform's monetization on new traffic.

### Long-term Student Sourcing

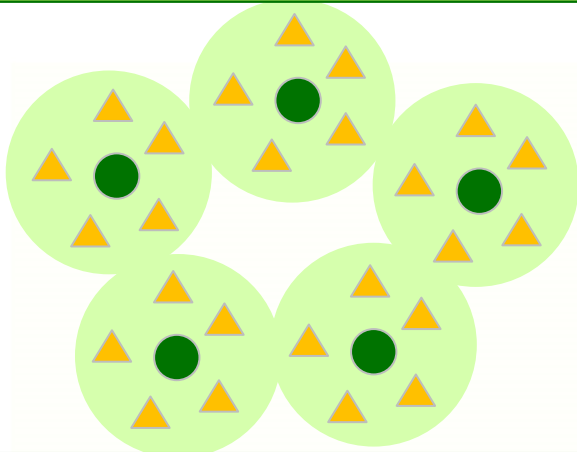
- Promoting the reputation of the platform as a collection of high quality teachers to foster word of mouth marketing.
  - Applying a rather strict evaluation system in teacher recruitment to endorse the quality of teacher on the platform.
  - Then propagated as an exclusively "high quality teacher platform" to enforce the platform's brand name and attract parents.

- Simply applying the current evaluation system in recruitment does not guarantee teaching quality forever:
  - In early stage, some teachers are recruited by operational staff
  - Currently the company claims to engage experienced teachers as interviewers, focuses on testing the interviewee's educational capabilities; yet, what is important in the small-group tutorial scenario is the teacher's attention and willingness to pay special care to the student. The recruitment might be biased in its methodology.
  - Entstudy has almost no involvement and supervision in the actual teaching process and cannot ensure long-term teaching quality, except that they know the teachers have passed some sort of exam.

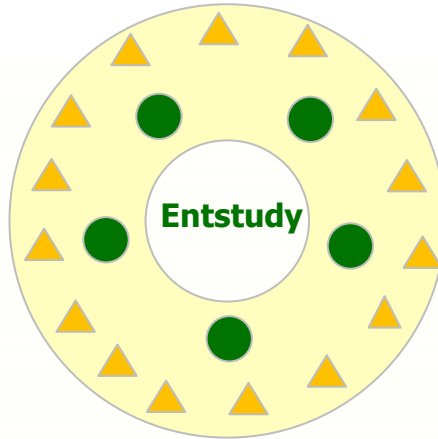
The idea of teacher network effectively expand the student base, yet this might devalue Entstudy as a traffic source; Entstudy might need to further prove its ability to drive sustainable traffic for teachers

## 1 Student Sourcing: Entstudy's Short-term Plan: Sharing Student Pools among Teachers

Teachers were naturally independent of each other; they only had limited connections with each other



With platform, teachers can form a workshop and share their student pools within the platform so that everyone enjoys a larger pool



Our research found that this network forming capability is highly valuable for teachers. 4-5 teachers tend to group together when:

- They teach different subjects and are supplements for each other, rather than competitive with each other;
- They have comparable teaching capability and price;
- They have a similar volume of students so that they each contribute similar resource to the workshop;
- They share similar values, morals, and vision.

Entstudy may have difficulty in getting long-term revenue

The true value of Entstudy seems to be forming teacher networks and providing a **one-time** traffic boost for teacher

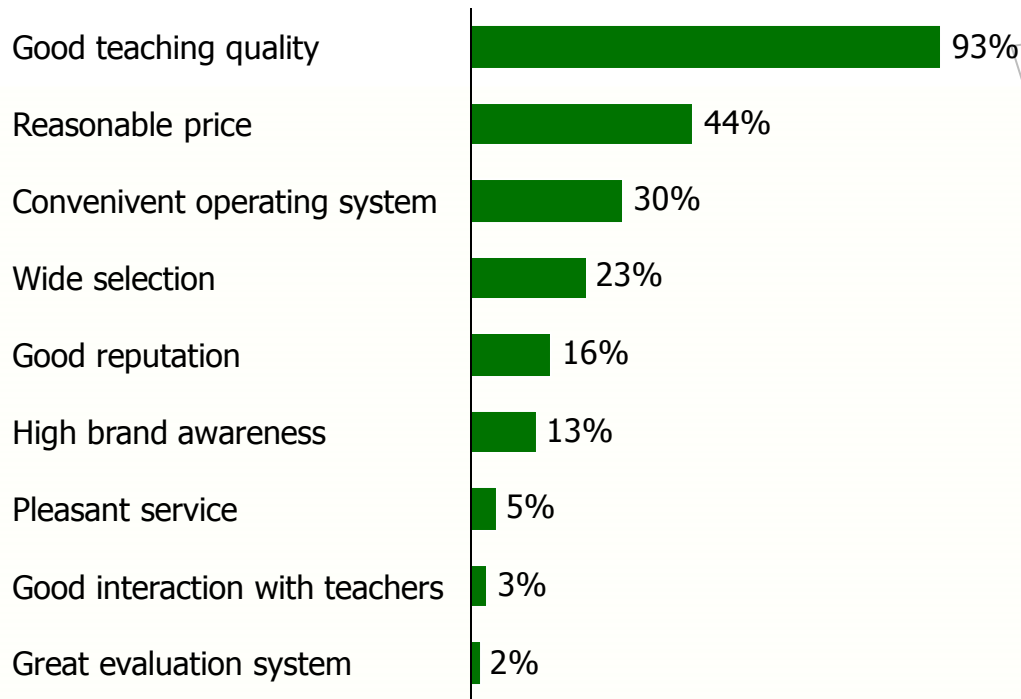
However, when a teacher get a larger student pool, his or her dependency to might Entstudy drop

We agree more with Entstudy's promoting the idea of "good teachers" because it caters the demand of parents in looking for teachers

### Key Factors for Parents to Choose the Platform

**Q: Which factors do you value most when choosing the platform to look for teachers? (Multiple selections)**

N=74



- For one-to-one teachers, parents may place great importance on the interaction between their child and teachers...

*"Apart from professional knowledge, those one-to-one tutors must also be patient and careful, since my child is easily distracted during study..."*

— Mrs. Zhang, Parent

- The improvement of exam results seems to be a common way for parents to evaluate a teacher's tutoring quality...

*"It is hard to define good teaching quality, but I think children's exam results may be an effective way to test it..."*

— Mrs. Xiang, Parent





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### Short-term Student Sourcing

#### What Changingedu Does

- Using a matching system to connect students with proper teacher using an algorithm based on suitability; a TA is also involved in helping teachers grab orders from parents.
  - The TA is crucial; he needs to understand the teacher's strengths and weaknesses and allocate the right teacher to the right student/parent.
- Conducting weekly offline salons to attract parents.

#### What We Concern about Changingedu

Overall, Changingedu acts more like a traditional institution rather than an online education platform; it allocates too much responsibility to its TAs:

- **Effectiveness of Matching:** the effectiveness of the matching system is not proven; like the failure of the matching system of a marriage seeking website, it is very difficult to match two people for a potential close engagement simply with data.
- **Heavy involvement of TAs:** the unproven effectiveness of matching requires a TA to join the process to increase the suitability, which leads to sizable operational costs; the structure is also vulnerable in the way that a TA leaving the platform might lead to a loss of teachers and parents.

### Long-term Student Sourcing

- Promoting the reputation of the platform through word of mouth marketing;
  - TAs will play a critical role in pushing parents to spread the platform's reputation and follow-up potential customers/parents picked-up in offline marketing activities.
- Utilizing Zhikang's brand name and resources in student sourcing.

- **High offline operational costs:** Changingedu's long-term student sourcing capability is highly correlated with the size of the TA team. Changingedu might need a huge team of TAs nationwide to sustain a large transaction volume;
- Changingedu's TAs operate a group of teachers with same subject and close location, which means members in an operational unit are competing with each other, rather than sharing resources with each other, and this might limit the network effect of Changingedu.

2

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## Promoting Reputation

- Online: Applying a listing system that exhibit every teacher's tutorial records, evaluations, and number of students taught, to promote the teacher's reputation and credibility:
  - Might lead to a 20-80 situation where the best teachers get most of the traffic;
  - Entstudy might apply an apprenticeship system to enable high profile teachers to endorse low profile teacher with benefits, so that the traffic can be somewhat dispersed;
- Offline: Entstudy deliberately fosters top teachers' personal brand image, and plans to provide more benefits to them to retain them on the platform:
  - Organizing teaching research lead by the top teachers to promote their reputation among teachers;
  - Plan to help top teachers holding public lectures and publishing books;
  - Plan to sign some top teachers and organize large B2C classes taught by these top teachers.



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- Online: Applying a full-spectrum credit system, but weaker marketing effect for any single teacher because his or her personal records are not displayed unless the parent sends out a request and the teacher/TA picks up the request;
- Offline: Teachers of the same subject and in the same region are grouped together, and the competitive nature might hinder the broadcast of a single teacher's reputation;
- Overall: Unlike Entstudy, Changingedu seems to have less focus on promoting the personal brands of top teachers. Although one on one tutorials emphasize suitability more than "the best teacher" in theory, they are less attractive to both teachers and parents.

Survey also proves that Entstudy receives relatively high remarks from parents than Changingedu due to its efficient listing system...

### Overall Comments from Parents

#### Entstudy

- Some parents speak highly of the high efficiency of listing system on Entstudy...

*"The listing system is quite efficient where I can easily recognize the quality of teachers through their star rating and user reviews..."*

— Mrs. Chen, Parent

*"It is quite convenient for me to search for teachers on Entstudy and I have already recommended it to some of my friends..."*

— Mrs. Zhang, Parent

- Others are still worried about the reliability of looking for teachers online...

*"Compared to recommendations from friends, I think searching for a teacher on an App is less reliable since I have little knowledge of it..."*

— Mrs. Li, Parent

#### Changingedu

- Parents still have some concerns about the teaching quality of tutors on Changingedu due to the lack of background information...

*"There is little background information of teachers on the platform, so I am concerned about the quality of instruction..."*

— Mrs. Zhao, Parent

*"Good teachers are never easy to find, but at least these famous ones can guarantee their teaching quality to some extent. However, it is quite hard to find a star teacher on the platform..."*

— Mrs. Zhou, Parent

- Some parents complain about the tedium of continuously making comments on tutors...

*"Every time after class, I have to make comments on the teacher's performance and child's feedback on the APP. I am tired of it..."*

— Mr. Zheng, Parent

The two do not differentiate much in management tools, but significantly differ in offline services, in which EntStudy believes in survival of the fittest, while Changenedu insists on a more traditionally operation; Neither concept has been proven today, although the latter appears more in control

3

### Online Tools

Both platforms plan to provide various tools for teachers and students to enhance their education quality and experience. BDA thinks the product experience of such tools is going to affect the retention rate of the two platforms.

### Offline Service

疯狂老师

EntStudy hires a group of operational staff to manage its **teacher resources** and to improve teacher's relationship with the platform:

- Assisting in the **recruitment** of new teachers and helping teachers with **adapting** to the platform;
- **Problem solving** for teacher;
- Regularly checking teacher's **feedback** at least once a month;

EntStudy will gradually **decrease the involvement** of operational staff in the platform and let teachers operate by themselves, which requires high operational capability from teachers to get ahead.

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Changenedu hires a group of TAs who are responsible for connecting **both teachers and parents** and so they are in service on both ends:

- Accompanying teachers in their first class with a customer, and teaching them to use the APP;
- Maintain connection with teachers and **hold weekly meetings with the teachers** in groups;
- Helping teacher in negotiating with parents and **identifying parents' needs**;
- Regularly checking parent attitudes at least once a month

Changenedu will **maintain the responsibility** of TAs in long-run and might add more roles to TAs.

## Teachers' Feedback on the Services

### Entstudy

- Top teachers with more classes on the platform are better served, while others feel the service can be improved

*"...The services are very good: they helped in everything: finding the partners, renting a place, and online marketing. The support is very strong..."*

— Teacher from Entstudy

*"...They only care for those teachers with many students and we receive little attention..."*

— Teacher from Entstudy

*"...The activities are just okay, too many social gatherings and too few for teaching improvement..."*

— Teacher from Entstudy

### Changingedu

- Teachers from Changingedu have overall positive feedback on the services

*"The Teachers' Union is very good and their activities are good too ..."*

— Teacher from Changingedu

*"The TA for me is helpful and she often asks me if I need more support..."*

— Teacher from Changingedu

*"... I haven't used many of their services yet but I suppose they are good..."*

— Teacher from Changingedu

4

### Providing Training and Teaching Research

疯狂老师

- Promised to provide regular training and teaching research to teachers, yet have organized only some social gathering with mostly promotional purposes;
  - A few leading teachers organized some teaching research groups by themselves. It helps information exchanges and the spread of leading teacher's reputation.
- Promised to reward top teachers with travelling opportunities to boost teachers' psychological comfort.

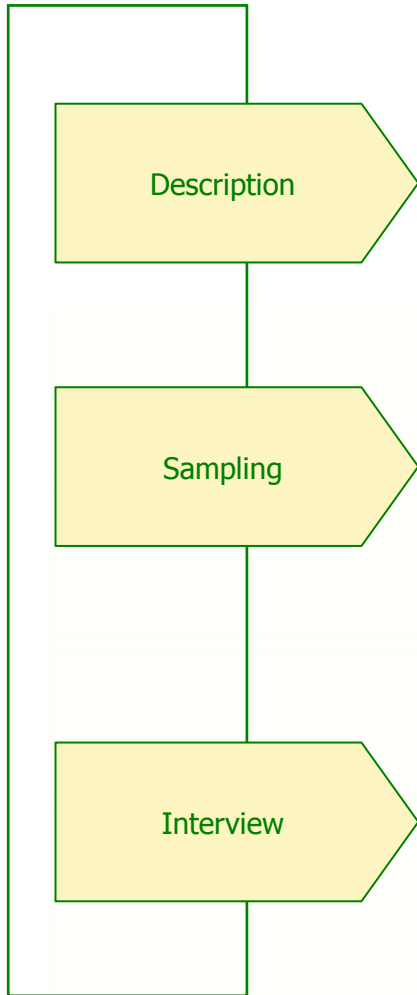
轻轻™  
您的私人家庭教师

- Also promised to provide regular training and teaching research to teachers, and has incorporated Zhikang's resources to conduct some simple training in Guangzhou.
  - An industry expert thinks that, based on the part-time nature of Changingedu, the training might not be as comprehensive as the in-house training of Zhikang; only the basic theories could be taught.

- Executive Summary
- Product Introduction
- Value Propositions
- Execution Capability
  - Both companies are identified with suspicious orders, and the proportion of Changededu is higher
- Monetization
- Management
- User Feedback

To verify the authenticity of orders, BDA conducted a telephone survey with a random sample of 1,000 consumers from Entstudy & Changingedu respectively

### BDA Verification of Entstudy & Changingedu's Accounts



- BDA conducted a telephone survey to check 2,000 consumers who had classes scheduled on Changingedu and Entstudy from Aug 24<sup>th</sup> to 30<sup>th</sup>.

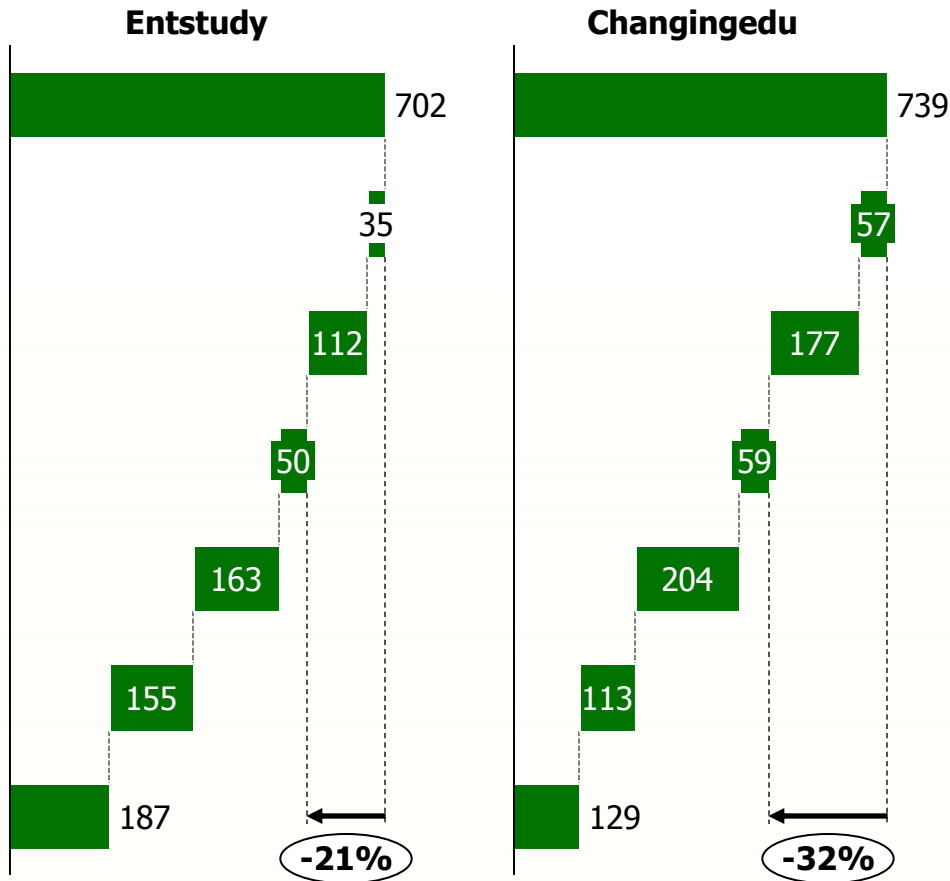
- According to the user distribution in different cities, all consumers were randomly selected on a proportional basis from the transaction records during the last week of August;
- Quota:
  - Entstudy: Shanghai:22%; Beijing:11%; Fuzhou:11%; Taiyuan:11%; Changsha, Chengdu, Hangzhou, Hefei, Jinan, Nanchang, Qingdao, Wuhan, Xian:45%;
  - Changingedu: Guangzhou:36%; Shanghai: 64%;

- Out of 2,000 respondents, only 378 and 284 users from Entstudy and Changingedu, respectively, successfully participated in our interview. And all the power-off/out-of-service/unavailable/busy numbers were double checked during work and non-work hours, among which suspicious ones exist.
- With the busy numbers excluded, there were 702 and 739 valid samples in total from Entstudy and Changingedu, respectively.
- As for those who declared they were using the APP, we further verified the authenticity of accounts by checking the teachers' names, subjects, course timetable and price from Aug 24<sup>th</sup> to 30<sup>th</sup> with respondents.



Based on the survey results, BDA estimates that at least 21% and 32% of the accounts are questionable on Entstudy and Changingedu, accounting for 17% and 22% of GMV respectively

### BDA Verification of Entstudy & Changingedu Accounts



- Total valid samples
- The phone number did not exist/ the respondent never used the APP/did not know account information
- The phone number was powered off/ out of service
- The respondent refused to participate in the survey
- The respondent refused to answer the phone
- Part of the account information was wrong or unknown
- All account information was true

We think those accounts whose number did not exist or was power off/out of service for a long time, and whose owner declared they had never used the APP or could not give any accurate order details have a relatively high probability to be fake. These questionable accounts make up 17% and 22% of Entstudy's and Changingedu's GMV respectively.

Both platforms have taken actions to check orders, and Entstudy has adopted relatively strict measures; however, neither of them adopted the most strict actions they can on checking fraudulent orders

### Platforms' Measures to Check Orders

#### Entstudy

- Entstudy has built an offline team to check questionable orders through telephone survey and on-site investigation

*"An offline team has been built to verify the authenticity of orders. Some of them are responsible for telephone interviews and the others will conduct on-site investigations of classes..."*

— Management from Entstudy

*"...Those teachers who have given too many classes during a period or reported abnormal class time are of great suspicion and likely to be investigated by the team..."*

— Management from Entstudy

- In the meanwhile, technology has also been developed to increase the difficulty of counterfeiting orders

*"...We have developed technology to prohibit more than one account being logged on the same device. In addition, we will also check teachers' location before class, during class and after class to screen questionable orders..."*

— Management from Entstudy

#### Changingedu

- Changingedu has been verifying the authenticity of orders by checking device numbers...

*"...We will check device number of the reviews on the platform on a regular basis. If the reviews are made on teachers' devices, we may speculate those teachers to be questionable..."*

— Management from Changingedu

- ...And the location for class

*"...We can also confirm whether teachers are giving classes on the appointed location by GPS technology..."*

— Management from Changingedu

- However, only slight punishment has been made on these suspectable teachers...

*"Due to the difficulty of recruiting new teachers, we will only make slight punishment on those who are suspected to forge orders by withdrawing their subsidy..."*

— Management from Changingedu

- Executive Summary
- Product Introduction
- Value Propositions
- Execution Capability
  - Entstudy expanded more quickly and operated more efficiently owing to a higher proportion of small classes
- Monetization
- Management
- User Feedback



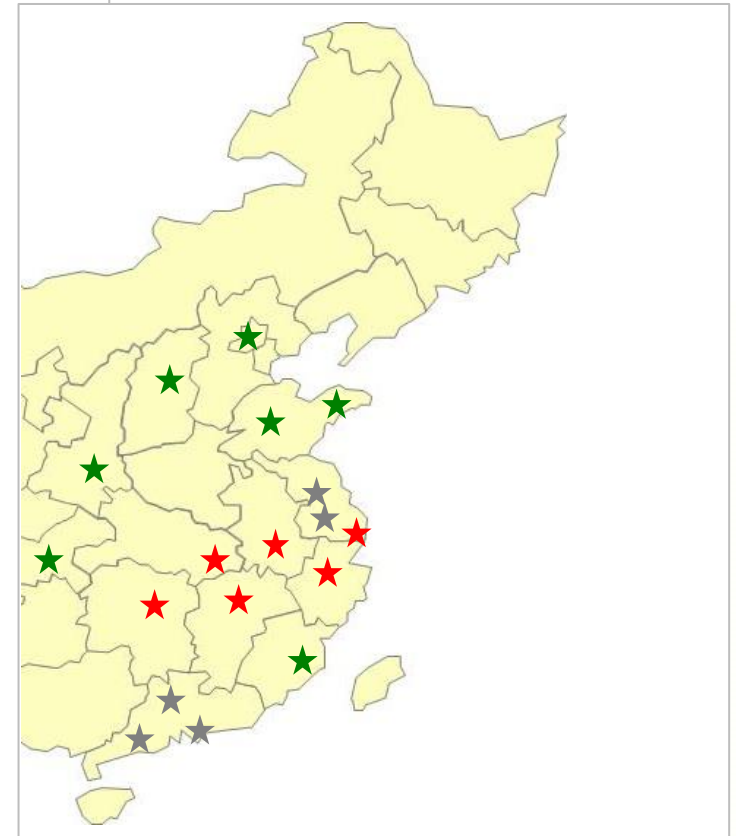
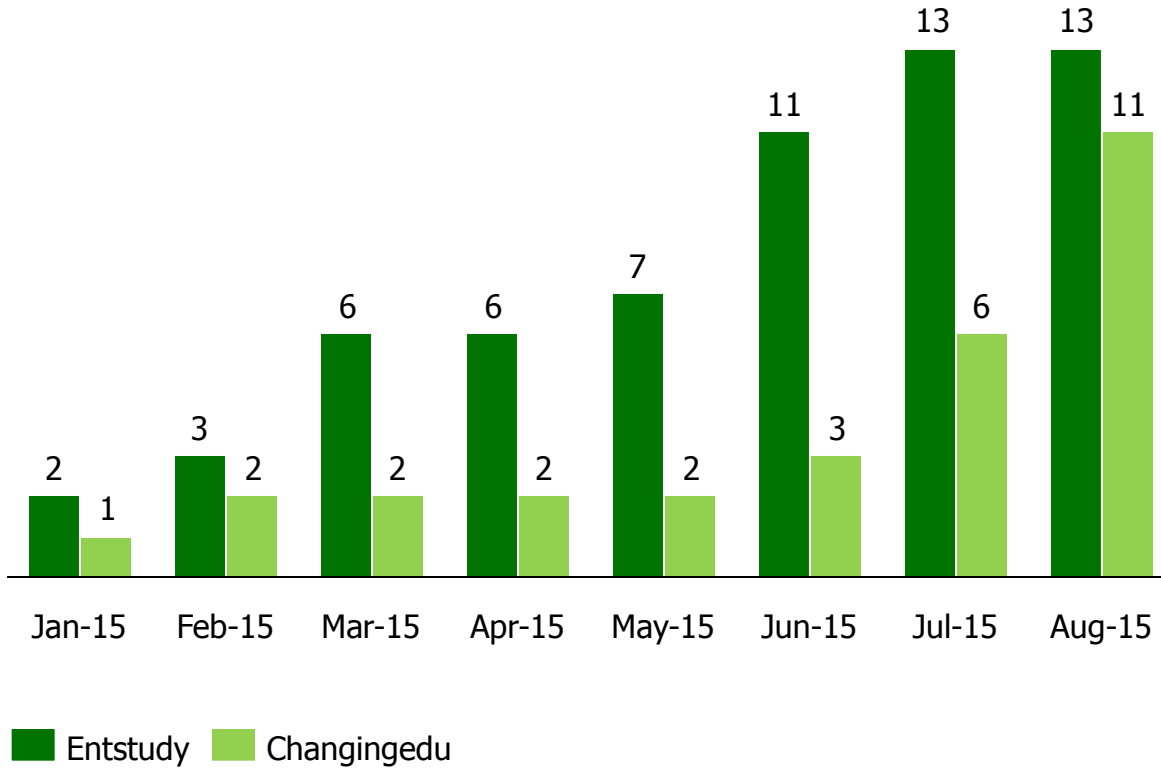
<b>City coverage</b>	13 cities	11 cities
<b>No. of registered teachers</b>	9,359	5,489
<b>Proportion of active teachers in August</b>	43%	71%
<b>No. of registered students</b>	124,318	22,557
<b>Proportion of active students in August</b>	18%	41%
<b>Class hours per teacher in August</b>	144 hours	67 hours
<b>Class hours per student in August</b>	26 hours	16 hours
<b>ASP per hour</b>	RMB 380	RMB 124
<b>GMV in August</b>	RMB 108 MN	RMB 32 MN
<b>Subsidy as percentage of GMV in August</b>	23%	32% (July)
<b>No. of Teachers Managed by Each Operating Staff</b>	11	27
<b>GMV Generated by Each Operating Staff</b>	RMB 301 K	RMB 157 K

Entstudy and Changingedu compete directly in southeastern cities, such as Shanghai and Hefei; additionally, Entstudy has covered more cities in the north and southwest of China, while Changingedu has first mover advantage in the cities of Guangdong Province

## Entstudy

### Number of Cities Covered

Unit: #



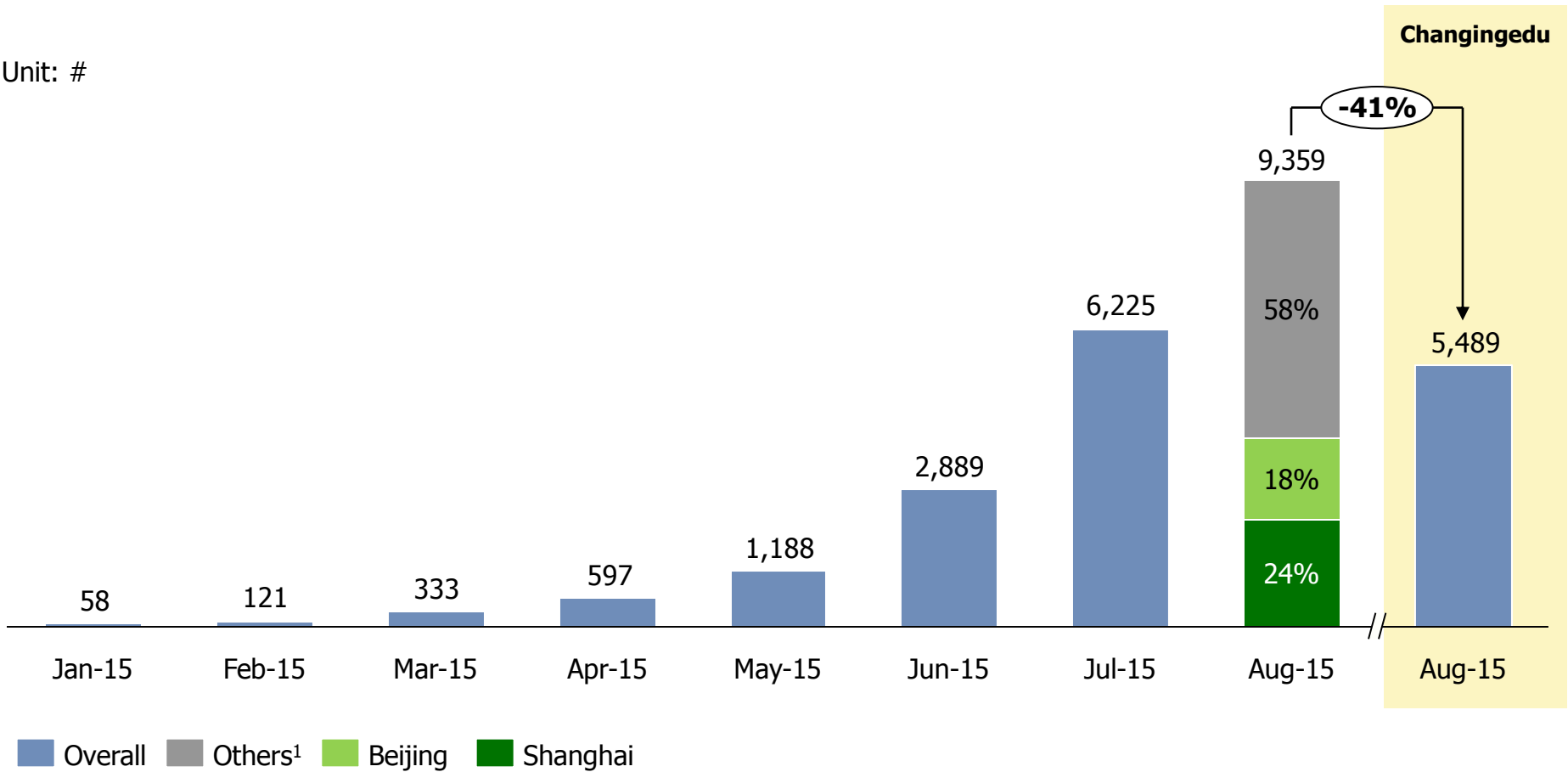
- ★ Covered by both
- ★ Covered by Entstudy only
- ★ Covered by Changingedu only

Entstudy has acquired nearly 9,359 registered teachers till August, almost double of Changingedu's figure

Entstudy

Number of Accumulated Registered Teachers of Entstudy

Unit: #



Notes: 1. Others includes Taiyuan, Fuzhou, Hefei, Qingdao, Jinan, Chengdu, Wuhan, Xian, Changsha, Hangzhou, Nanchang.

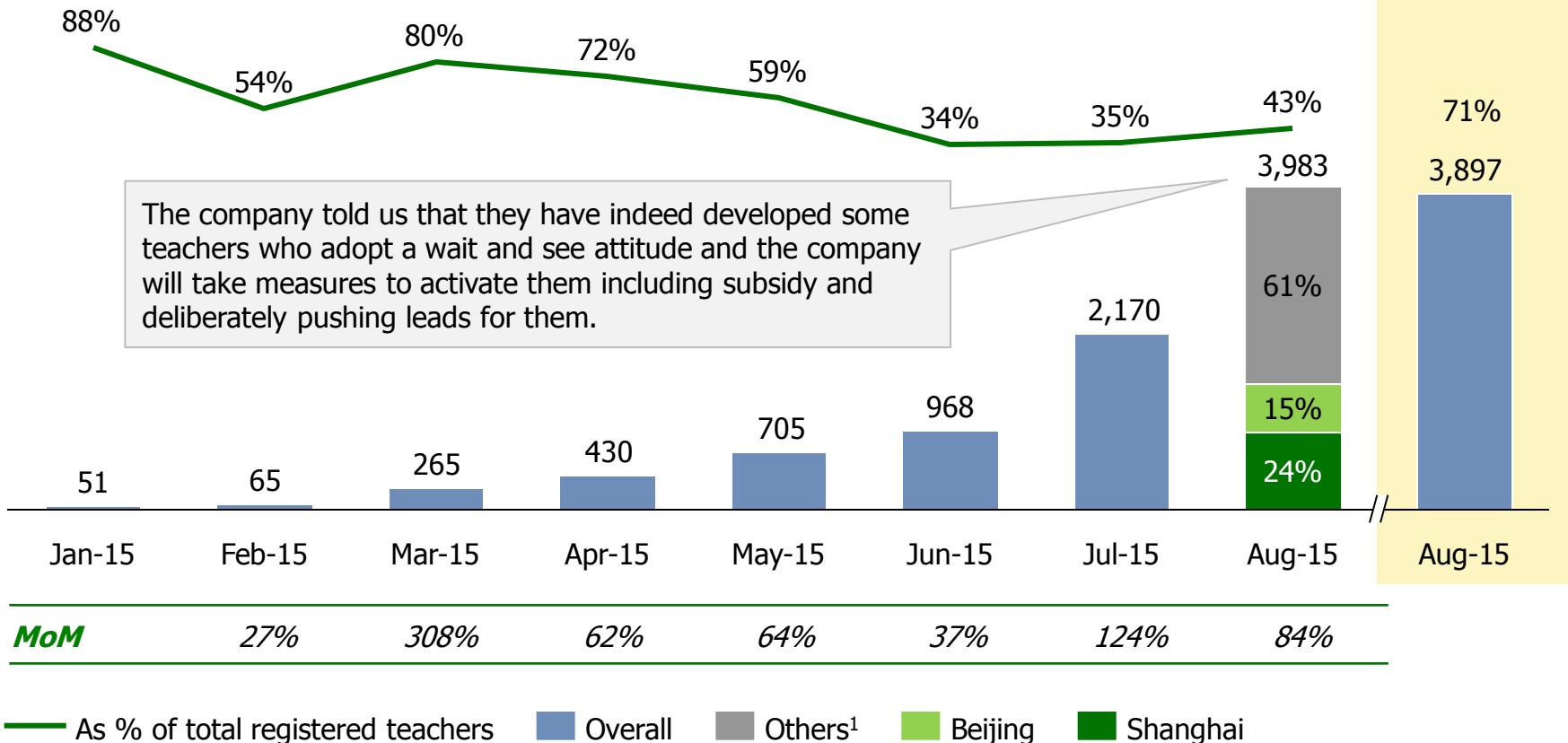
Proportion of active teachers of Entstudy dropped from 88% to 43%, much lower than Changingedu's 71%, because Entstudy reinforced its promotion toward teachers and the new registrations were not ready yet

Entstudy

Number of Active Teachers of Entstudy

Unit: #

Changingedu



MoM

27%

308%

62%

64%

37%

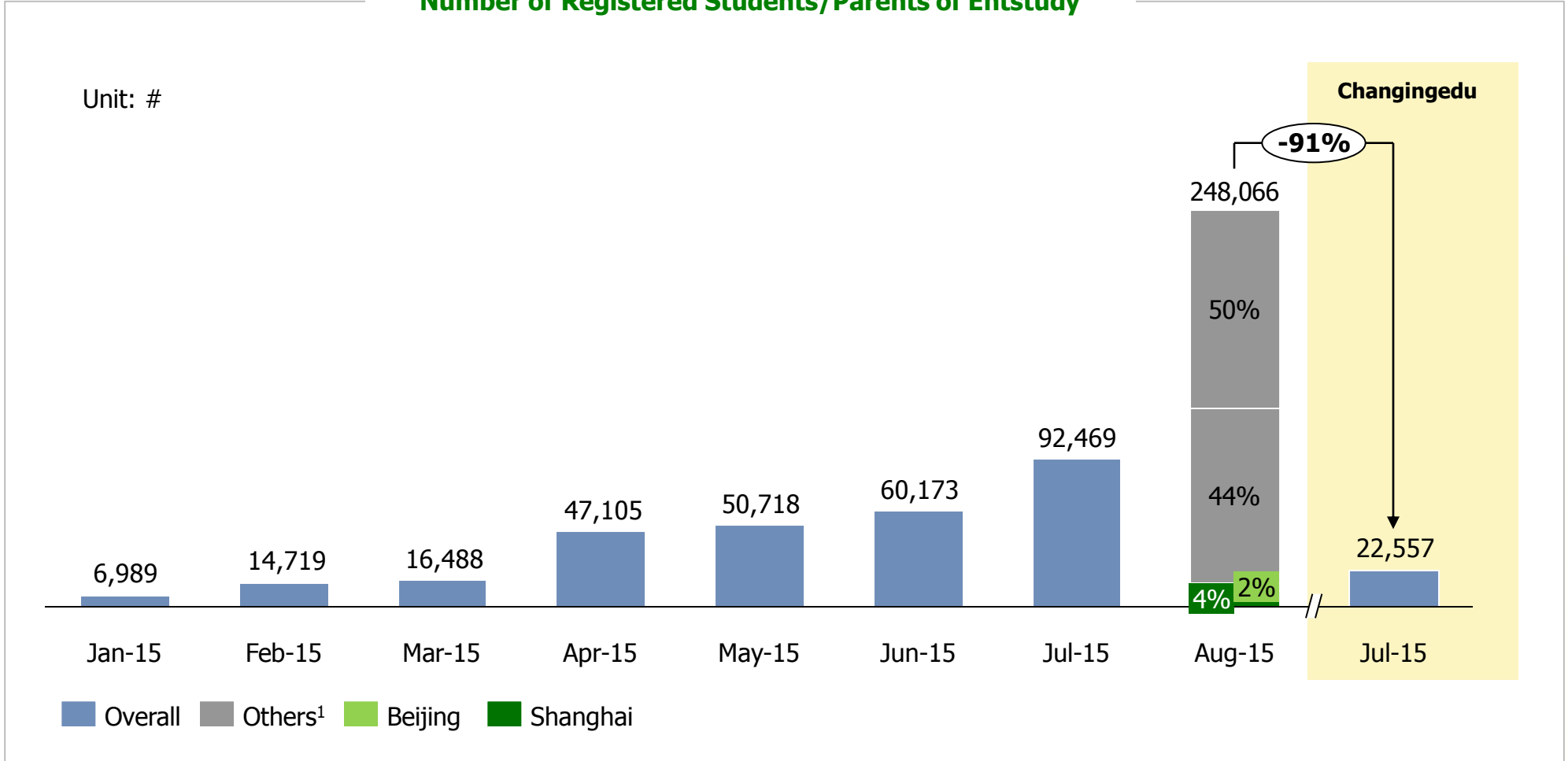
124%

84%

Notes: 1. Others includes Taiyuan, Fuzhou, Hefei, Qingdao, Jinan, Chengdu, Wuhan, Xian, Changsha, Hangzhou, Nanchang.

Entstudy

Number of Registered Students/Parents of Entstudy



Note: 1. Others, includes students not only from other 11 cities mentioned before, but also students that have registered on Entstudy without choosing their cities. which account for majority of students.

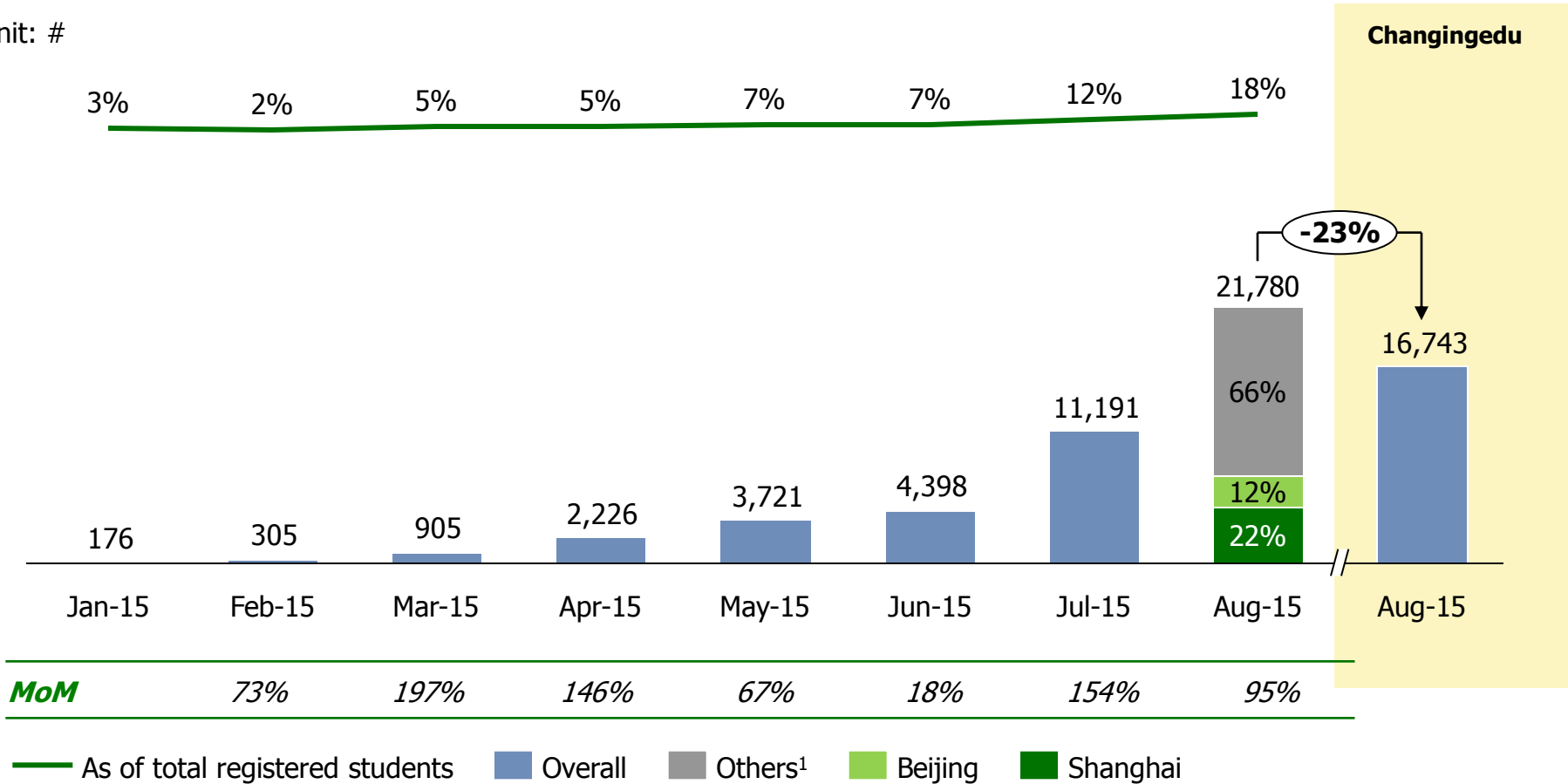


but it is notable that over half of the students registered without mentioning their cities or classes

**Entstudy**

**Number of Active Students of Entstudy**

Unit: #



Notes: 1. Others includes Taiyuan, Fuzhou, Hefei, Qingdao, Jinan, Chengdu, Wuhan, Xian, Changsha, Hangzhou, Nanchang.

## Cohort Analysis of Teachers of Entstudy

	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month	4 <sup>th</sup> month	5 <sup>th</sup> month	6 <sup>th</sup> month	7 <sup>th</sup> month
Jan-15	71%	72%	72%	70%	64%	62%	63%
Feb-15	99%	99%	93%	92%	83%	85%	
Mar-15	98%	97%	92%	80%	74%		
Apr-15	97%	90%	77%	74%			
May-15	87%	74%	71%				
Jun-15	81%	77%					
Jul-15	86%						
<b>Average</b>	<b>88%</b>	<b>85%</b>	<b>81%</b>	<b>79%</b>	<b>75%</b>	<b>73%</b>	<b>63%</b>

After 7 months, only 14% of students remain active on the Entstudy; Such a low retention is mainly because students may have lessons intensively during peak seasons for short time training and then drop out due to other reasons such as graduation

### Cohort Analysis of Students of Entstudy

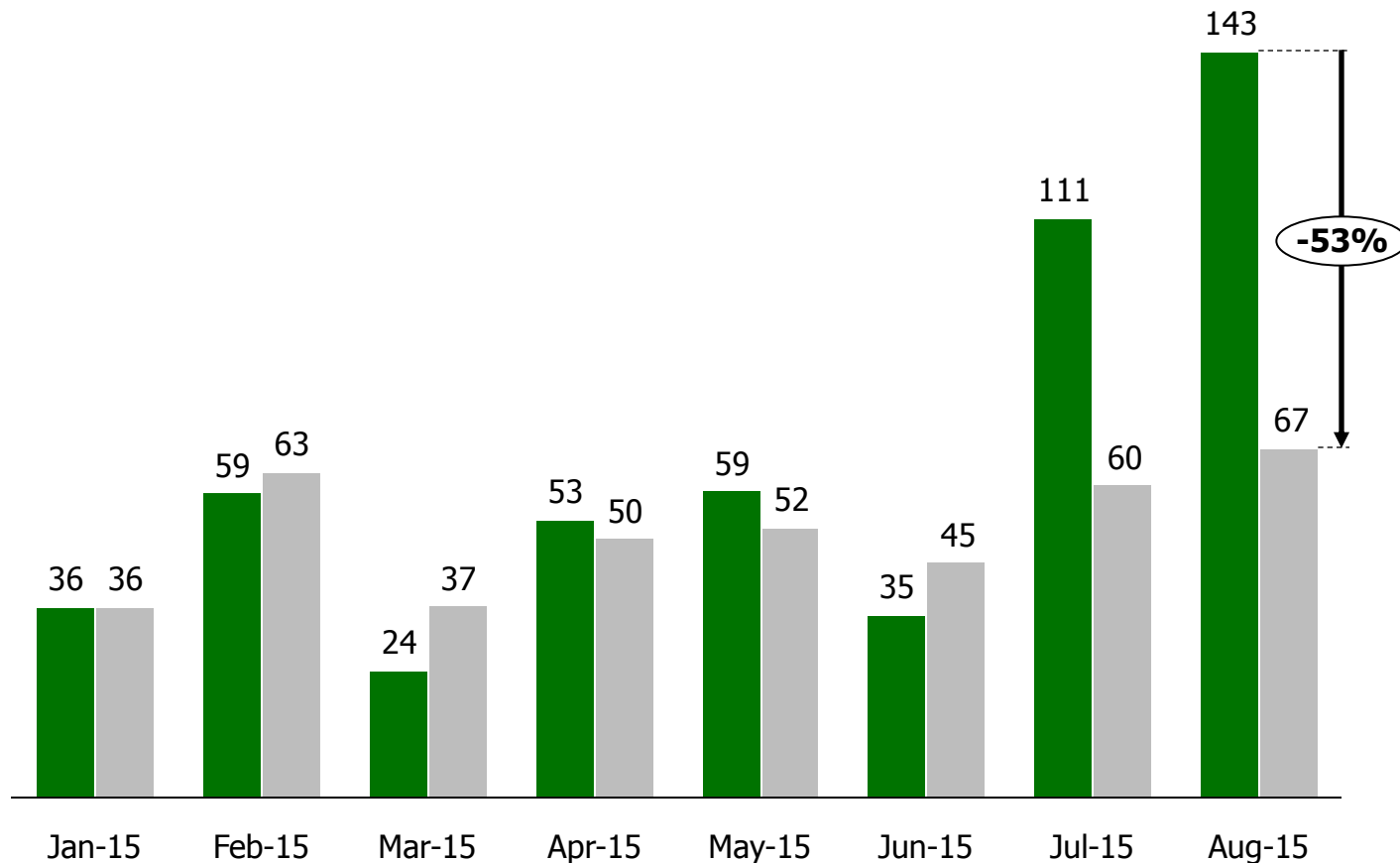
	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month	4 <sup>th</sup> month	5 <sup>th</sup> month	6 <sup>th</sup> month	7 <sup>th</sup> month
Jan-15	50%	49%	49%	42%	34%	18%	14%
Feb-15	76%	76%	63%	50%	26%	23%	
Mar-15	92%	83%	56%	23%	22%		
Apr-15	85%	54%	18%	16%			
May-15	59%	21%	18%				
Jun-15	35%	27%					
Jul-15	68%						
<b>Average</b>	<b>67%</b>	<b>52%</b>	<b>41%</b>	<b>33%</b>	<b>28%</b>	<b>21%</b>	<b>14%</b>

## Entstudy

### Average Class Hours of Each Teacher per Month

Unit: hour/month

■ Entstudy  
■ Changing



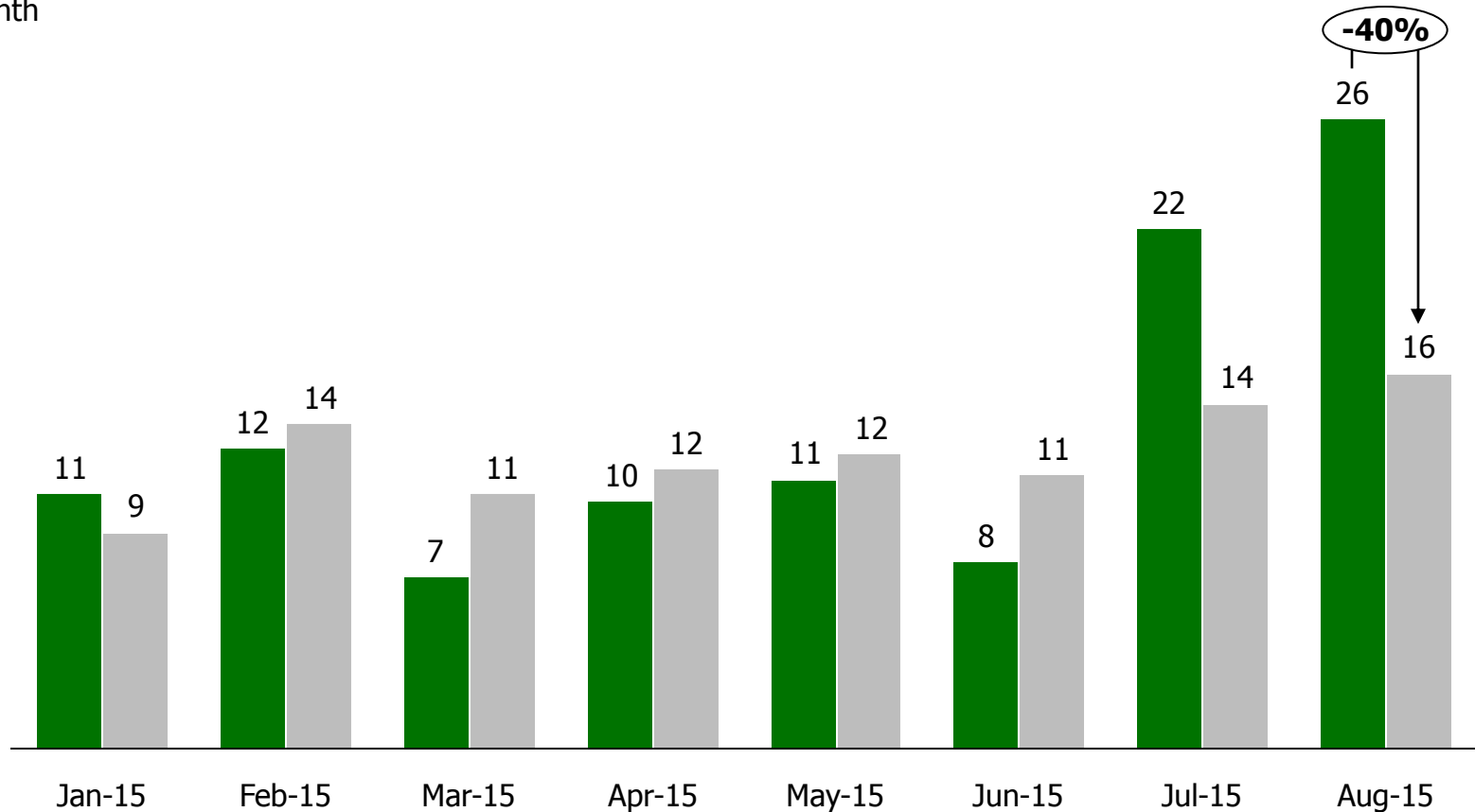
Students of Entstudy averaged 26 class hours in August on the platform, larger than that for Changingedu

## Entstudy

### Average Class Hours of Each Student per Month

Unit: hour/month

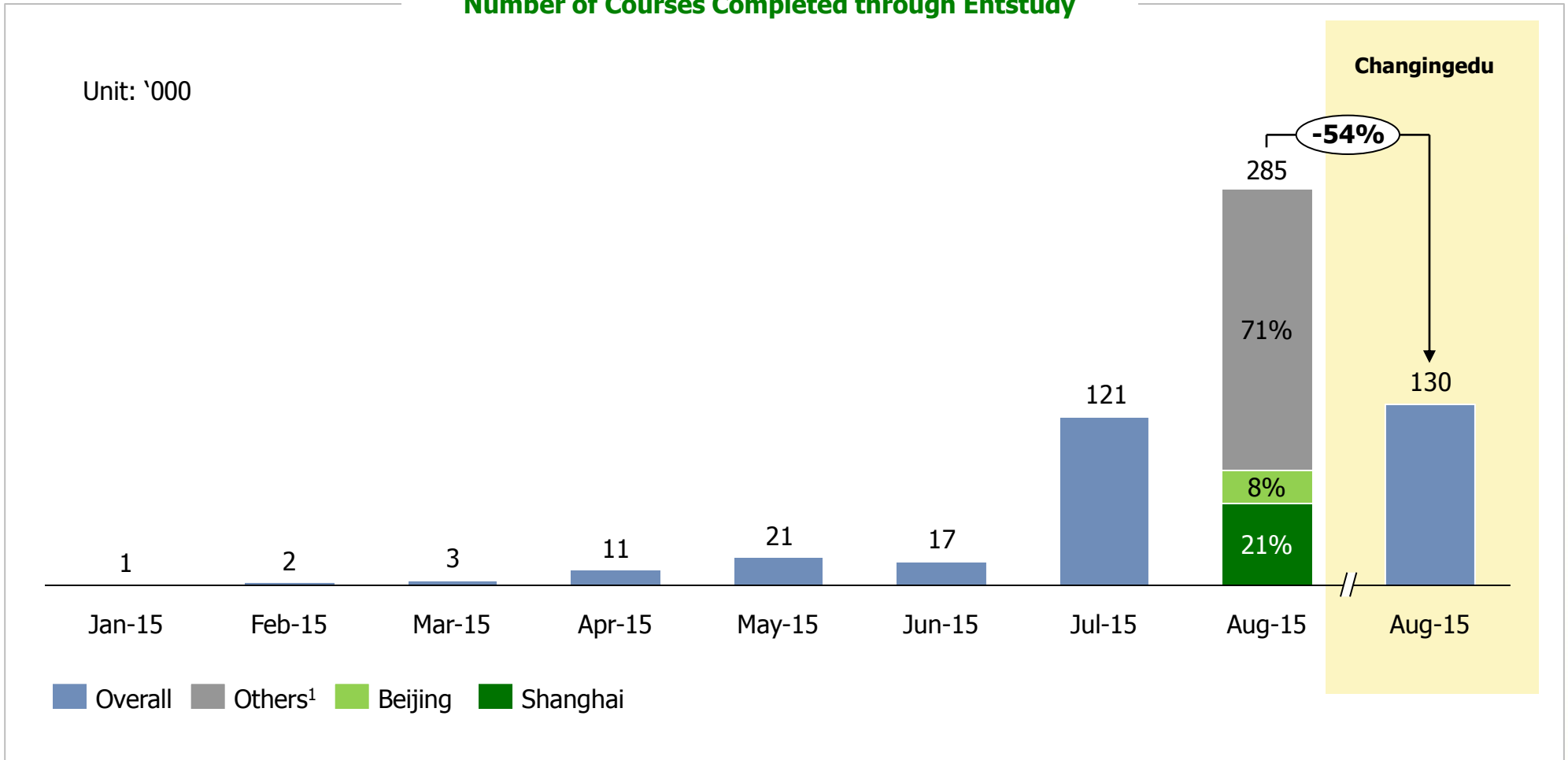
■ Entstudy  
■ Changing



The number of courses completed through Entstudy surged significantly during summer vacation, doubled the figure

**Entstudy**

**Number of Courses Completed through Entstudy**



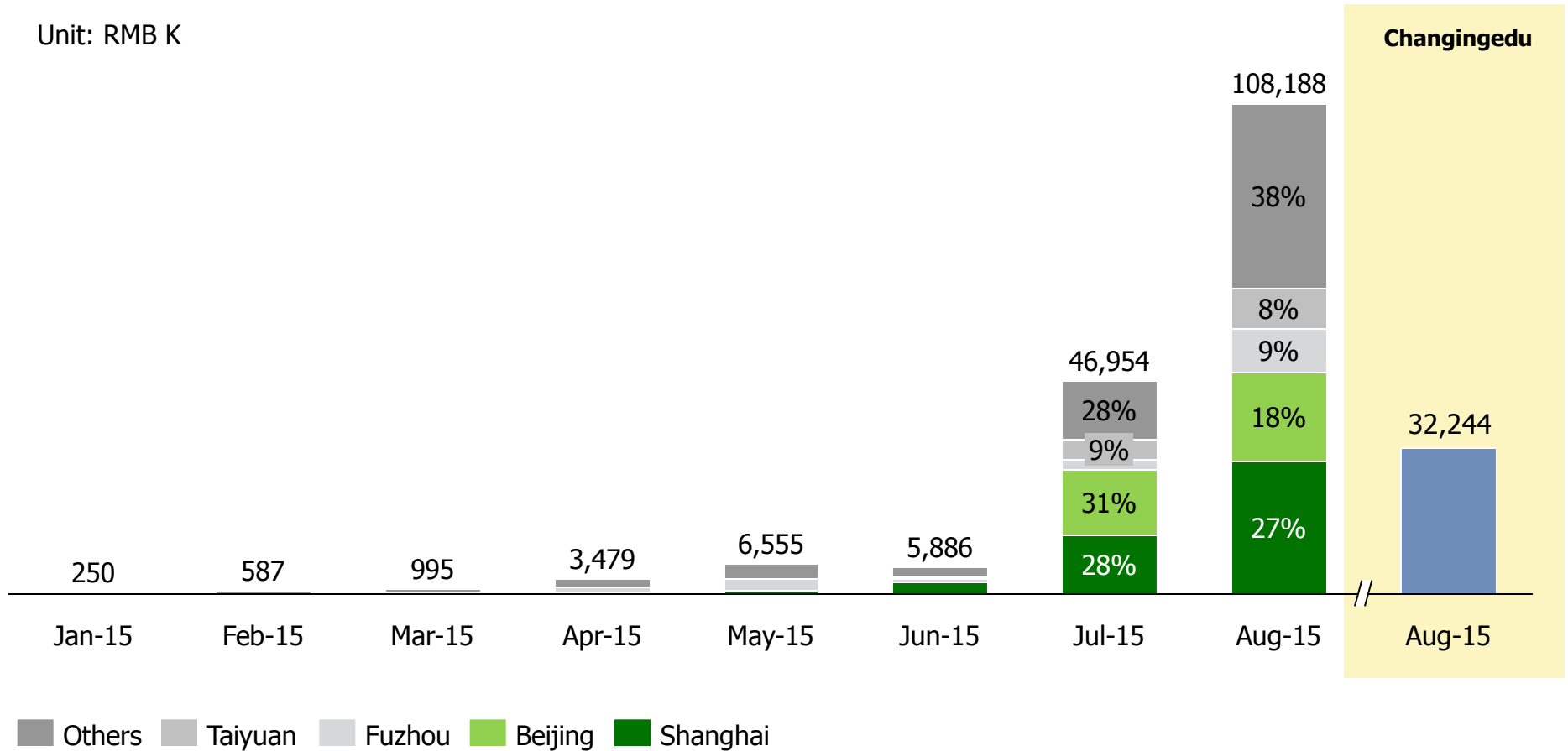
Notes: 1. Others includes Hefei, Nanchang, Wuhan, Changsha, Jinan, Chengdu, Qiangdao, Hangzhou, Xian.

In August, Entstudy achieved a GMV of 108 MN, tripled that of Changingedu, due to more completed courses and higher ASP per class

Entstudy

Monthly GMV of Entstudy

Unit: RMB K



Notes: 1. Others includes Hefei, Nanchang, Wuhan, Changsha, Jinan, Chengdu, Qiangdao, Hangzhou, Xian.

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