

The Russian e-learning market

Christoph Spank

Market Research Team Leader, SCHNEIDER GROUP

Moscow, March 19, 2020

Table of contents

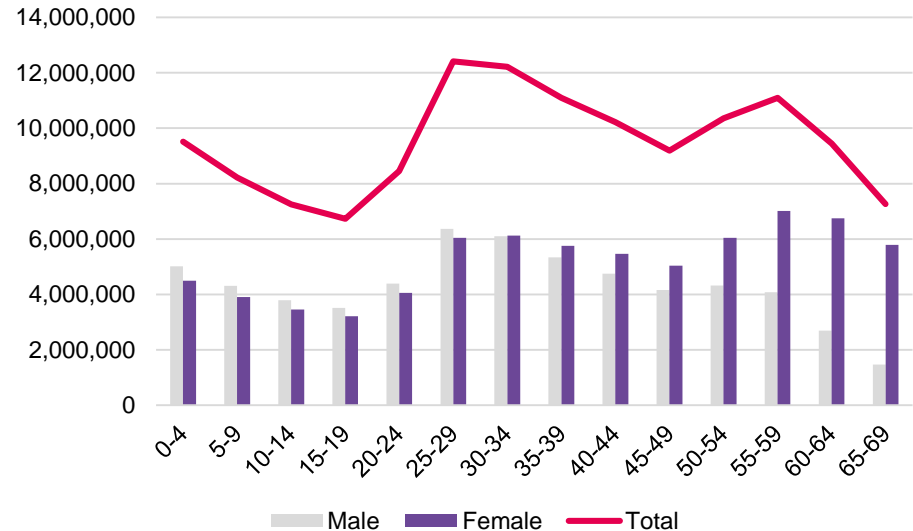
- Russia—population
- Russia—purchasing power
- Russia’s (trade) connections
- Language skills in Russia
- Digitization in Russia
- Online education market in Russia
- Major market players
- Operational considerations
- How SCHNEIDER GROUP can help



Russia – population

- Total population: 147m people (76m of working age)
- Level of tertiary education: 54% of population
- 1m university graduates annually
- Special characteristics:
 - Large target population for language training
 - High IT affinity
 - Attracted to western lifestyle through internet, social media, and television
 - Interested in modern learning experiences

Age distribution



Russia – purchasing power

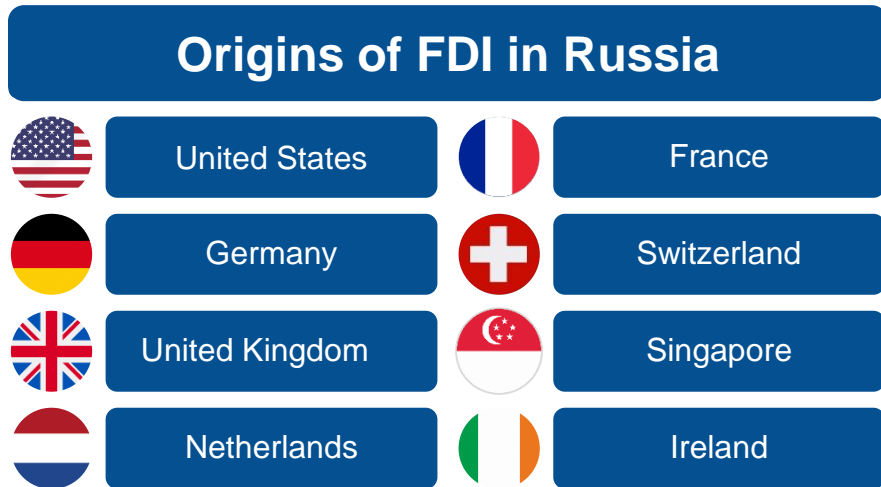
- Areas of prime interest for international companies are Russia’s metropolitan areas, in particular Moscow and St.Petersburg
- Large purchasing power differences exist between regions, creating a diverse and challenging environment for e-applications in particular

Top-10 cities in Russia

City	Population	Average monthly salary in EUR
Moscow	12,615,279	1,298.62
- Moscow region	7,599,647	800.48
St. Petersburg	5,383,890	906.61
- Leningrad region	1,847,867	661.03
Novosibirsk	1,618,039	567.78
Yekaterinburg	1,515,832	598.52
Nizhny Novgorod	1,261,823	508.02
Kazan	1,251,969	549.41
Chelyabinsk	1,200,719	541.77
Omsk	1,164,815	507.53
Samara	1,156,644	528.41
Ufa	1,135,480	533.82

Russia's (trade) connections with the world

- 43.3% of Russia's GDP stems from international trade (import & export)
- Main trading partners* are: China, Germany, Netherlands, Turkey, the US, Italy, South Korea
- More than 4,500 businesses from Germany and more than 3,000 businesses from the United States are present in Russia



Source: United Nations World Investment Report

* excl. Russian speaking countries

Language skills in Russia

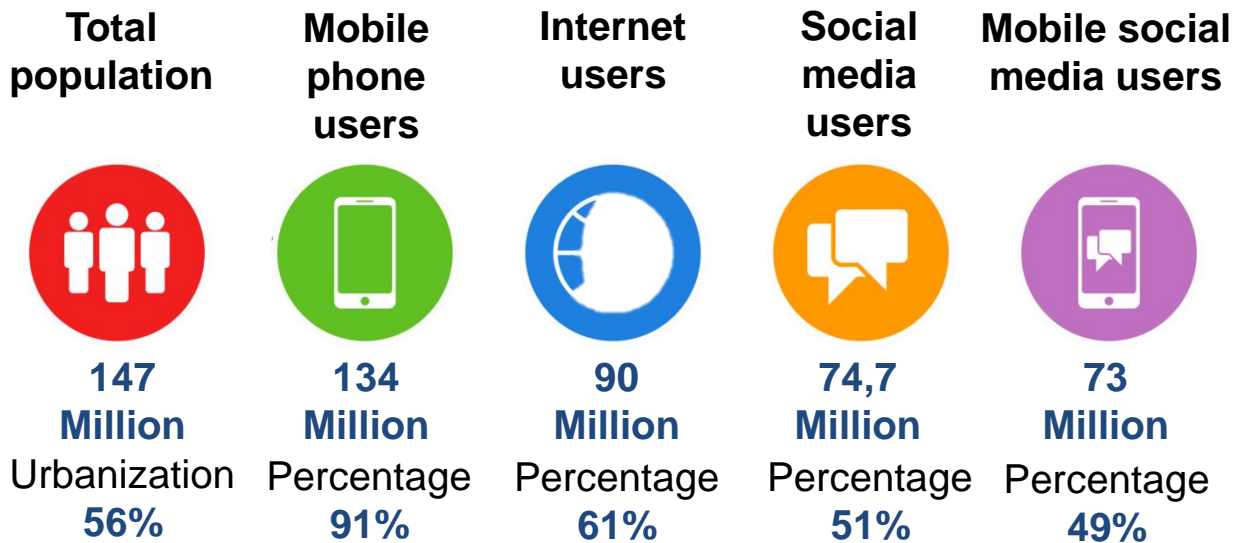
- Despite the presence and of a large number of foreign businesses and the interaction with foreign countries, foreign language skills in Russia remain at a very low level
- EF ranks the country **#48** out of 100 countries and **#28** out of 33 countries in Europe

Language	Total %	18-24 yr. old	25-39 yr. old	40-54 yr. old	>55 yr. old
English	11%	22%	17%	9%	3%
German	2%	2%	3%	3%	2%
Spanish	2%	2%	1%	1%	2%
Ukrainian	1%	1%	1%	1%	1%
French	<1%	1%	<1%	<1%	<1%
Chinese	<1%	<1%	1	<1%	<1%
Others	2	1	1	2	2
Don't speak any foreign language	70%	49%	61%	74%	83%

This equates to a market base of 103m potential customers

Source: Levada Center, based on a survey of 1.500 respondents

Digitization in Russia



Internet and mobile phone usage and interaction through social media are a common activity in the everyday life of Russians and offer a great opportunity for exposure to modern language training formats.

The Russian online education market

USD 880m Market size

20-25% Annual market growth

69% Share of language training in total online education market

USD 536 Average annual expenditures for language learning per person

8% Share of people with experience in online language training

40% Share of people intending to use online language trainings for personal use next year



Average bill

USD 53.15
(+22% YOY)

Consumer preferences (1/2)

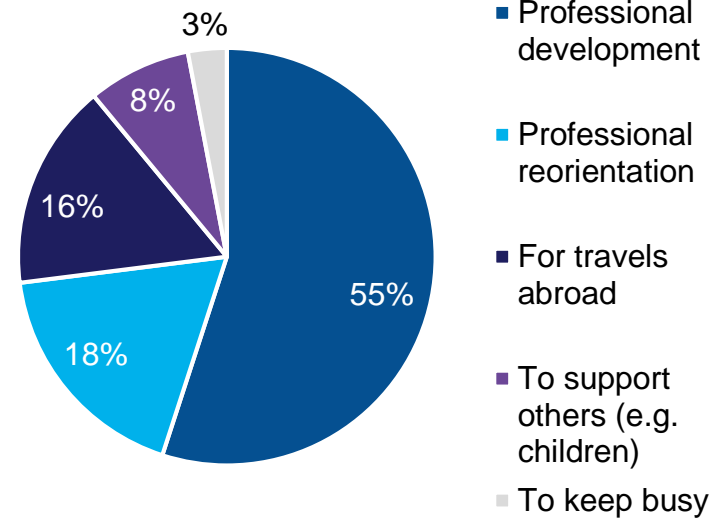
Despite the current political climate and trends in recent years, Russia's younger generations study languages eagerly to participate in the internationalization of the market and to benefit from the opportunities that arise from working in international organizations

- The most studied languages are English, German, French, Spanish, and Chinese
- Consumers prefer one-on-one online study sessions, due to the opportunity for direct feedback.
- However, prices as well as availability for one-on-one sessions with native speakers (in particular outside metropolitan areas) are often prohibitive, hence consumers accept less professional and more inexpensive alternatives with non-native speakers

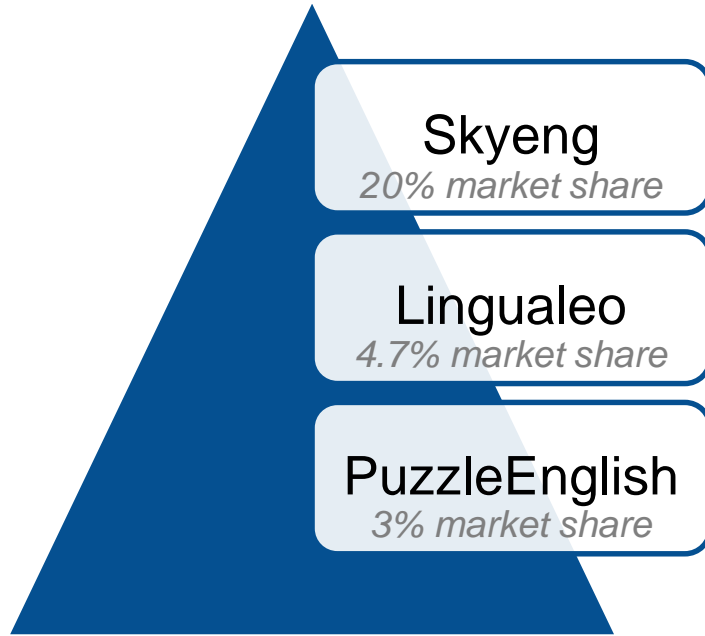
Consumer preferences (2/2)

- Almost 3 in 4 adults in Russia study a foreign language for professional reasons
- Individual lessons are particularly popular due to the option to adjust them to personal time schedules
- Interactive formats are becoming increasingly popular and support the entertainment factor in language learning
- Travels abroad have contributed to an increase in foreign language learning

Motivation for learning a new language



Major market players



- Skyeng is the market leader by far and increased its revenue by 36% in 2019
- Lingualeo achieved a revenue of USD 1.8m in 2018
- Several **international players** are also present: e.g. Berlitz Corp., Inlingua International Ltd. Sanako Corp., etc.

Industry status quo & outlook

According to Alexander Laryanovsky (founder of Skyeng), the market is:
“still not formed into an independent industry and is at
an initial state of development”*

Business opportunity

- The market is forecasted to grow to > USD 1bn in 2020
- English will remain the most important foreign language to learn in Russia
- Internationally experienced contenders with proven concepts and established platforms will be at a distinct advantage, since knowledge on consumer behavior is not readily available in the market yet.

* Source: Kommersant 03.03.2020

Opportunities

- E-learning activities are increasingly common in the Russian educational sector
- The national project “Digital Economy” will allocate the funding to connect **all schools** with **high-speed internet** in all 84 regions of the country by 2024 and implement e-learning in the studies
- The current global health crisis and the oil price drop is affecting the Russian economy as well and will cause the young generation, in particular, to seek for affordable **educational (re-) training opportunities**, and in particular **language training**, to increase career prospects, since knowledge of at least one foreign language is an absolute requirement in today’s labor market



Operational considerations

- VAT payments – foreign IT companies that provide services by means of the internet to individuals residing in Russia will have to pay value added tax (VAT) in Russia
- Currency control mechanisms are applicable if a legal presence exists in Russia, or in case profits are transferred abroad from 3rd parties
- Educational platform providers engaging in B2B operations require a certificate as educational organization in the Russian Federation. For B2C operations this is not required
- Russian law requires the storage of user data inside the country. Servers with personal data must be located within the Russian Federation

How SCHNEIDER GROUP can help

SCHNEIDER GROUP is specialized on assisting its clients to focus on their core activities.

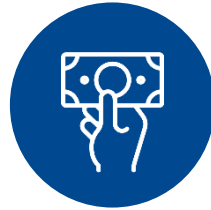
We do...



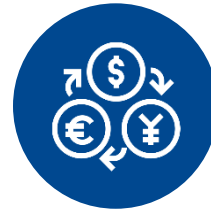
Accounting outsourcing



Taxation



Currency payments



Transfer pricing



IT outsourcing

...and many other things as well.

Learn more at [SCHNEIDER-GROUP.COM](https://www.schneider-group.com)



armenia

belarus

germany

kazakhstan

poland

russia

uzbekistan

ukraine

market entry | accounting | ERP | import | legal | tax

www.schneider-group.com