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## INVESTOR'S BUSINESS DAILY

MANAGING FOR SUCCESS

**Firing Off Consistent Marketing Messages New Oriental Education touts English learning**

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New Oriental Education & Technology (EDU) offers millions of Chinese students English language training **and** test prep courses — all framed as a way to make dreams come true.

Success through education is New Oriental's consistent marketing theme, says **George Haley**, author of "The Chinese Tao of Business." **And** that consistency helps explain its success.

"From the CEO downward, they talk about all employees having a vision of success that they want to transfer to their clients," said **Haley**, who runs the Center for International Industry Competitiveness at the University of **New Haven** in Connecticut.

The Beijing-based private educational services company provides English **and** other foreign language training, test preparation, primary **and** secondary education, **and** online education.

Millions Of Students

Some 2.5 million students, from pre-schoolers to adults, enrolled in New Oriental classes at more than 700 locations in 2013. Since launching in 1993, it has enrolled 17 million students, the company says.

New Oriental's annual profit growth has increased for seven straight years, **and** ranged from 22% to 38% the last three quarters.

Company management does many things right, among them being listed on the New York Stock Exchange, **Haley** says.

"That communicates honesty to their clients," **Haley** said. "Within China, it's in effect co-branding New Oriental with the NYSE."

New Oriental is "extremely particular" about presenting the image of a well-run company with high governance standards, **Haley** says.

The very public presence of Chairman **and** CEO Michael Yu is another plus, he says.

"In a Chinese context, it gives them greater credibility than just a spokesperson promoting the company," **Haley** said.

Analysts agree that the force of Yu's personality **and** his public speaking skills play a role in the company's success.

"Michael Yu is a very charismatic person," said Trace Urdan, a senior analyst at Wells Fargo Securities in San Francisco. "Part of the company's success has been his elevation to celebrity status."

Yu brings his mantra of English as the key to fame **and** fortune to Chinese university audiences, where he dazzles the crowds, Urdan says.

He's considered an education expert **and** is consulted by China's education ministry. Yu also is known for several inspirational books published in China, Urdan says.

That all benefits his company, big-time.

Then there's classroom style. Led by Yu, who got his start as an English instructor, New Oriental wasn't afraid of being innovative.

#### Education As Entertainment

The company made its name offering large, entertaining lecture-style classes at reasonable prices, Urdan says.

"He really turned education into entertainment," Urdan said. "That was one of the keys to his success."

While not unusual at U.S. colleges, entertainment as a teaching technique was a shift for Chinese higher education, Urdan says.

In the last year, New Oriental has altered its management style.

Previously, local managers had tremendous autonomy **and** tried to grab as much territory **and** market share as possible, Urdan says. That's shifting as the company takes a more centralized approach.

Chinese with English skills, U.S. work experience **and** cultural flexibility are in high demand by multinational companies in China, Urdan says.

New Oriental has that market segment clearly in its sights.

"The core of their business is still very much the notions that studying to go overseas qualifies you for a more prestigious job in China," Urdan said.

Three primary factors contribute to the company's success, says Robert Lytle, a partner at the Parthenon Group, a Boston-based strategic consultancy. Lytle is co-head of Parthenon's education practice.

"Being an early mover, scale **and** a great market combined to develop a very strong business," Lytle said. "At some level, it's as simple as that."

New Oriental is good at reaching a range of clients **and** tailoring its offerings to them, Lytle says.

He points to the example of a working engineer who wants to take the next step in his career vs. a high school graduate who wants to ace the Test of English as a Foreign Language for his application to a U.S. college.

In that scenario, the two students won't have much in common when it comes to classroom expectations **and** goals.

"Every element of how you market **and** support that is going to be different," Lytle said.

China has a huge demand for English, **and** New Oriental has positioned itself to deliver it, says Siva Yam, president of the Chicago-based United States-China Chamber of Commerce.

Yam agrees with analysts that marketing **and** branding are keys to the company's success.

At the same time, Yam isn't convinced that the New Oriental approach is the right thing long-term for China.

"I don't know how much New Oriental Education can really create value for the future generations (in) China," he said.

But he gives the company credit for giving students what they demand.

"They are only interested in short-term results," Yam said. "This is what the students want."

Yam, moreover, sees New Oriental's success as a China-specific phenomenon. The growing Chinese economy means parents have the money to send their children abroad to study. **And** the accepted belief in Chinese culture is that English competence **and** U.S. higher education lead to success.

New Oriental has capitalized on both factors, **and** they have helped the company thrive, Yam says.

"This kind of company would do well in only one country — China," said Yam.

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|----------|------------------------------|
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| Date     | In the last 3 months         |
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| Region   | All Regions                  |
| Language | English                      |