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MARKET FOCUS

Chengdu is the most prosperous city in Western China with its strength in the service industries. Abundant opportunities are present with government reform and development plans.

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Economic activities in Chengdu has picked up during the first quarter of 2009, with a healthy growth of 10.8 percent. This was largely due to the government stimulus package for the earthquake-affected areas.

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CASE STUDY

The Visionary Takes All

Singapore-based Crestar successfully introduced ELFA kindergarten to the Chengdu market

Increasing numbers of local education service providers are setting their sights across borders for growth. Taking pride in the Singapore brand, they compete on grounds of high delivery standards and quality results rather than on price. An illustrious example will be the Crestar Education Group.



An early childhood education services provider, Crestar Education Group has a network of more than 100 preschools and childcare centres in five countries. Crestar Education Group has also rapidly grown to become the biggest Singapore preschool player in China, with close to 30 centres spread over 20 cities. Positioned as a premium preschool service provider in China, Crestar offers quality care and teaching for preschoolers in English and Mandarin. They also set up their first kindergarten in Egret Island development area, Chengdu's up-market residential area, in September 2007. Since then, enrolment for the Egret centre in Chengdu has been growing healthily with more than 200 students (as of May 2009).

"Despite having to face unexpected obstacles such as the Sichuan earthquake in 2008, we managed to break even within one and a half years of operations. This served as a significant morale booster for the team in Chengdu." Robert Leong, Chief Operating Officer at Crestar Education Group, said.

China's one-child policy has resulted in a pampered generation of 'Little Emperors' favoured by parents and grandparents alike. More importantly, this means that the Chinese parents, who have high regard for education, are usually unwilling to compromise for their only child. Surveys in many Chinese cities have shown education fees to be among the top expenditure items of families.

About two years ago, IE Singapore encouraged Crestar to explore the Western region of China, especially Sichuan, which was believed to have tremendous potential to become the country's next engine of growth. Rapid economic growth and the exponential expansion of the middle class in China have also led to a sharp rise in demand for child care and preschool education services, and this has in turn attracted many foreign entrants with the proven curriculum and experience.

Crestar's decision to venture into Western China began in 2005 by going on various study mission trips led by IE Singapore to study the local markets. They finally set up their first ELFA kindergarten in 2007, forming a joint venture as a subsidiary company under Crestar in the Egret Island development area.

Chengdu is a developed market in the preschool industry, with established local chains enjoying consistent top-level support and trust of the local community. To overcome this, the IE office in Chengdu linked up Crestar with the Singapore-Sichuan Trade and Investment Committee, as well as key developers who could offer potential kindergarten sites.

Crestar enhanced relations with the local government by regularly engaging in high-profile business functions organised by IE Singapore. This included official visits by Singapore's ministers and signing ceremonies for Singapore-China joint ventures that raised the credibility of Singapore-based companies entering Chengdu. Such efforts reaped visible rewards, boosting the Egret centre enrolment by 70 percent between October 2008 and May 2009.

"With the services of IE Singapore, we could optimise our resources and cut down the time and effort spent sourcing for the right contacts. It served as a means of risk-spreading in the setting up of operations, a huge concern for any foreign player expanding into the China market," Leong added, acknowledging the importance of access to relevant and professional support services.

Crestar runs two ELFA preschools in Chengdu despite the economic downturn, and are on target to open about ten more kindergartens across China. Their focus in the meantime would be on growing ELFA as a premium kindergarten brand in China. In line with their visionary approach, Crestar aims to double the current size of their preschool network over the next three years, with about one-third of their plans in China.

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