

**Southeast Asia  
Centre of  
Asia-Pacific Excellence**



**Kiwi Classroom**  
**ONLINE ENGLISH LANGUAGE  
TUITION IN THAILAND**

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## EXECUTIVE SUMMARY

# KIWI CLASSROOM ONLINE ENGLISH LANGUAGE TUITION IN THAILAND

The Thai government regards English capability as an essential tool, expanding trade opportunities from tourism to digital innovation. However, Thailand's English proficiency is comparatively poor within Southeast Asia, with the majority of school students graduating with limited, or no capability in English. As Thai teachers also have low English proficiency, many private schools aim to attract foreign teachers, yet struggle to retain them due to low wages and poor working conditions.

This report identifies online tutoring as a sector that is not yet saturated and offers great potential for New Zealand entrepreneurs. It proposes developing an English teaching e-learning platform, initially targeted at Thai students and teachers. As a social enterprise, the platform's

social goal is to reduce educational disparity through investing profits in scholarships, subsidies and financial aid organisations. The majority of net profit will be invested in providing English training to underprivileged groups within urban and rural locations in Thailand. This would be achieved through scholarships, subsidies and providing e-learning hardware to partner organisations.

The company will first launch in Chiang Mai to pilot the e-learning programme and build its credibility before expanding to Bangkok. Furthermore, Kiwi Classroom will undertake a joint venture partnership with a Thai company or entrepreneur in order to comply with Thai law. The platform will also partner with New Zealand TEFL institutes.

## INTRODUCTION

### Social enterprise and entrepreneurship in Thailand

The development of legal structures and thinking around social enterprise and entrepreneurship activity lies at different stages across Southeast Asia. Compared with New Zealand, social enterprises in Thailand are not common, and the business model is still somewhat misunderstood. Running a business and making a social impact are considered mutually exclusive, with charities addressing the latter

In New Zealand, social enterprises currently choose between for-profit and not-for-profit legal structures. New Zealand's Ākina foundation has established three criteria for classifying organisations as social enterprises<sup>1</sup>:

- The primary purpose of the organisation is to achieve social, cultural and/or environmental benefit for the public or community.
- The majority of income is from trading a good or a service.
- The majority of either expenditure or profit is spent in the fulfilment of the social purpose.

Nevertheless, the scene is changing. In 2010, Thailand established the Thai Social Enterprise Office (TSEO) to encourage and support social entrepreneurship and enterprise development. Social enterprise numbers are now growing alongside increased discussion around social and environmental issues.

A draft bill was approved in July 2018, requiring social enterprises to reinvest 70% of profits in their businesses or community projects, while the remaining 30% can be distributed to shareholders. Social enterprises and firms providing financial backing for them will be incentivised by a 100% corporate income tax deduction, start-up funding, interest rate subsidies and support for research and development.

The combination of a legal framework for so-

cial enterprise and changing consumer behaviour is creating a unique window for social entrepreneurs entering the emerging social enterprise market.

### English language proficiency in Thailand: a strong need

As a popular travel destination, Thailand tourism provided over 2.3 million jobs in 2017. This figure is expected to grow to 9.4% of employment by 2028<sup>2</sup>, creating a strong need for employees in the tourism industry to speak English well.

Furthermore, the Thai government and the Eastern Economic Corridor aim to transform and develop Thailand's digital innovation economy through investment in 'Thailand 4.0'. To promote its digital economy and to remain competitive in Asia and globally, Thailand urgently needs to update its curriculum and focus on improving English language proficiency.

### Challenges facing Thai students learning English

A floundering education system has rendered Thailand's English proficiency critically low. It ranks 16th out of 21 Asian countries (See Table 1) and 64th out of 88 countries worldwide<sup>3</sup>.

English is a compulsory course in the Thai curriculum. To gain university admission, students must pass a General Aptitude Test, with a strong emphasis on English language ability. However, the average high school student scored only 28.31% in the national English examination in 2017<sup>4</sup>.

The key challenges facing English language skill development in Thailand are:

- lack of opportunities to practise speaking English outside the classroom
- lack of skilled Thai ESL teachers
- lack of professional development in the English language teaching sector
- regional inequality in educational opportunities
- a high reliance on native English speakers.

Moreover, poor results, coupled with a growing middle class, have seen private English language international schools flourish. Access to such schools is not available to lower-income families and their existence has failed to improve English language teaching within the state education system.

**Table 1: Comparative English Proficiency in Asia**

#	COUNTRY	ENGLISH PROFICIENCY
1	Singapore	68.63
2	Philippines	61.84
3	Malaysia	59.32
4	India	57.13
14	Sri Lanka	49.39
15	Bangladesh	48.72
16	Thailand	48.54
17	Kazakhstan	45.19

### E-learning: a solution – with challenges

E-learning has the potential to reform the education sector and facilitate the up-skilling of teaching staff. It is a key way of supplementing teaching at all levels and reducing educational inequality between Thailand’s regions.

Both the government and education institutes are investing in e-learning and ICT, with a focus on implementation at universities. Many universities have online learning management systems (LMS) and have developed policies to improve the sector. There is a need for more professionals in this sector, such as e-learning designers and developers to maximise the potential of e-learning.

## KIWI CLASSROOM: A BUSINESS PROPOSAL

### The business model: a social enterprise

A social enterprise business model is a suitable way to develop and improve English language teaching among Thai teachers and students. This business model can offer an e-learning English language platform, initially for middle-class Thai students and teachers, with potential for expansion. This social enterprise service would be called Kiwi Classroom.

By offering affordable access to English language learning for teachers and students in Thailand, Kiwi Classroom could improve teacher and student English proficiency. Its social purpose is to equalise access to education in Thailand by eventually reinvesting some of its profits into scholarships, subsidies and education centres offering Thai students access to computers.

### Rationale for choosing this business model

A number of conditions indicate that a social enterprise business such as Kiwi Classroom could do well in Thailand:

- Thailand’s middle class is growing. Thai parents have high aspirations for their children and are spending more on their education.
- An online English language teaching platform is a cheap and accessible alternative for parents wishing to improve their children’s English proficiency.
- The Thai government sees English language skills to be crucial to its Thailand 4.0 plans.
- A gap clearly exists in the market for English language teachers with Kiwi accents to fulfil the needs of Thai students aiming to come to New Zealand for further education or employment opportunities.

- There is now a supportive legal framework in Thailand for establishing social enterprises.

This report recommends creating an e-learning platform to address two particular challenges within Thailand's education system, and thus fulfil the needs of two different market streams:

- Stream 1: Thai students with poor English proficiency would be offered an online English tutoring service.
- Stream 2: Thai English teachers with limited conversational ability would be offered the opportunity to improve their conversational abilities through online practice with New Zealand-based native English speakers.

### The Kiwi Classroom offer to Thai students

Stream 1 would offer a modular system, with each student working through the same curriculum. Students would undergo an initial online test to gauge their English ability, before being paired with a qualified TEFL teacher in New Zealand.

Each module would comprise a range of English language learning activities (video conversations between student and teacher, homework and other online activities). Multiple courses would be offered, depending on the English proficiency of students. One course would have twelve modules and last 48 weeks. Lessons would be approximately 60 minutes long with the first half focused on conversation related to the module topic and the second half being grammar based.

### The Kiwi Classroom offer to Thai teachers

Stream 2 would focus on improving the conversational English ability of Thai teachers. Initially, Kiwi Classroom would be marketed to Thai teachers in Chiang Mai, a province where incomes are higher than in rural areas. Opportunities for expansion will be identified.

Stream 2 would adopt a 'video-pal' format, with each Thai teacher being paired with a TEFL teacher in New Zealand and working through a different topic of conversation weekly. In addition to partnering with already qualified TEFL teachers, Kiwi Classroom should ideally also partner with TEFL courses in New Zealand, with Thai teachers practicing their skills with TEFL students. The programme would improve Thai teachers' technological competency and their ability to teach online.

### The Kiwi Classroom offer to New Zealand TEFL Teachers

Both platform segments rely on matching available New Zealand TEFL teachers with Thai platform users. New Zealand TEFL teachers would sign up to the platform for an administration fee and once subscribed would create a teaching profile that lists their available teaching times, proficiencies and relevant experience.

Subscribing to teaching roles on the Kiwi Classroom platform would offer practical experience and opportunities to work online, a method of teaching that is becoming popular as a way of earning extra income. As a social enterprise, Kiwi Classroom could offer higher job satisfaction, with teachers believing that their work is having a tangible impact in Thailand. Teachers would also have the opportunity to donate their wages from teaching a class towards providing a scholarship module to a disadvantaged Thai student.

### Kiwi Classroom: Benefits for New Zealand

The creation, maintenance and expansion of this online learning platform would provide opportunities for New Zealand entrepreneurs. Due to its encouraging start-up culture, government support for and commitment to digital innovation, New Zealand has been identified for two years running as a standout country in the Digital Evolution Index<sup>5</sup>. New Zealand already hosts companies with the key skills required to develop such a platform – for example, Bracken Learning, a Dunedin-based company and provider of online education solutions.

Potentially, the New Zealand government could partner with Kiwi Classroom to encourage Thai students to choose New Zealand as a study destination. In 2017, Thai students constituted 3% of international students in New Zealand<sup>6</sup>. New Zealand's English teaching expertise, reputation for safety and lower living costs compared to the USA and Australia make it an attractive location for overseas study. As a result, Education NZ held a New Zealand Education Fair in 2017 and has also recognised Thailand's desire to prioritise English proficiency, stated its interest in supporting the Thai government in this area. Kiwi Classroom could offer a useful way to raise awareness of New Zealand and equip Thai students with the level of English language needed to attend university here.

As Kiwi Classroom would support Education NZ in enhancing New Zealand's image in education, a partnership would be beneficial between the two organisations, with Education NZ providing financial aid and contacts within Thailand and New Zealand.

## Addressing the sustainability and social purpose of Kiwi Classroom

Kiwi Classroom's business model would be sustainable, while being scalable and able to deliver a social impact in these ways:

- Initially, subscription fees would cover the costs of the platform (set-up, wages for TEFL/software engineers/technical support staff, advertising).
- Thai law would require that 70% of any profits be invested in expanding the platform's services to invest in its social purpose of reducing educational disparities between Thailand's regions and cities through provision of scholarships and subsidies for disadvantaged students to use the platform.
- The social enterprise will also support migrant centres to provide computers, and conduct a feasibility study into establishing Internet hubs in rural areas.

## KIWI CLASSROOM: THE BUSINESS PLAN

### Market entry

The proposed market entry strategy for Kiwi Classroom is a joint venture partnership with a local Thai enterprise or entrepreneur. This approach is necessary due to Thai foreign business regulations.

Having entered the Thai market with 51% Thai ownership in accordance with Thai foreign business law, Kiwi Classroom will be able to establish contracted management partnerships with governmental organisations, schools and public and private education providers.

The affluent Thai middle class is proposed as the most viable initial target market. Several regions have middle-class populations; however, Chiang Mai and Bangkok are identified as potential entry points. Chiang Mai is one of the most populous provinces and has a stable Internet infrastructure and good Wi-Fi speed, allowing market testing before expansion to other regions with great economic potential such as Bangkok.

To raise market and raise awareness of the platform, Kiwi Classroom would:

- connect with the main private schools currently focusing on developing English language ability among their staff and students
- form a relationship with the Thai international educational consultants
- undertake online marketing, including through social media.

### Costing and ongoing funding

Table 2 provides a conservative estimate of costs to launch and maintain the e-learning platform.

Various potential funding opportunities for social enterprises exist in New Zealand and in Thailand. We have identified the four most viable of these, alongside personal investment and bank loans.

**Table 2: Costs to launch and maintain the e-learning platform**

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Office resources (eg. rent, supplies)	\$16,625	\$12,765	\$12,765	\$16,765	\$12,765
LMS Licence	\$0	\$10,000	\$10,000	\$10,000	\$10,000
Marketing and recruitment	\$40,000	\$63,000	\$57,000	\$57,000	\$57,000
Content development and design	\$110,000	\$27,500	\$27,500	\$27,500	\$27,500
Tech support	\$0	\$20,000	\$20,000	\$20,000	\$20,000
Overheads: Total	\$166,625	\$133,265	\$127,265	\$131,265	\$127,265
Teaching Cost (\$22 per hour)	\$0	\$136,620	\$227,700	\$428,076	\$778,734

## Ongoing revenue streams

This report recommends a pay-per-module subscription pricing scheme with 3, 6 and 12 month options. This would enable platform developers and business managers to make responsive enhancements to future modules.

The recurring subscription fee will be Kiwi Classroom's primary revenue stream. The

platform would be positioned as a prestigious foreign (New Zealand) educational tool, and use a price skimming strategy. The e-learning platform would enter the market as a unique opportunity for students to have an interactive, foreign experience without having to physically leave their homes and families for overseas education.

**Table 3: Potential funding options and platforms:**

	NZ-BASED	THAILAND-BASED / INTERNATIONAL
<b>Impact Investing</b>	Investment Readiness Grants Impact Enterprise Fund	Currently no public policy funding is effective due to the dissolution of the TSEO in January 2016.  Private impact investing opportunities are fragmented but growing in Thailand
<b>Crowdfunding</b>	PledgeMe, Kickstarter NZ, Givealittle, Spark Foundation, Snowball Effect-private equity investment	The top crowdfunding platforms used in Thailand are in Keep it All (KiA) models: Asiola (Thai), Dream maker equity (Thai), Indiegogo (US), Kickstarter (US)
<b>Philanthropic Grants</b>	Generosity New Zealand and Strategic Grants.	Asia Foundation - Kiwi Classroom falls under two of Asia Foundation's four programming interests: Economic Reform and Development, and Regional Relations.
<b>SE business plan Competitions</b>	100K Challenge Velocity: Launch pad programme, ANZ Flying Start Business Plan competition	South East Asian Social Innovation Network (SEASIN) G-Lab Scaling Impact Programme

## Table 4: Projections

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4
<b>Overheads: Total</b>	\$166,625	\$133,265	\$127,265	\$131,265	\$127,265
<b>Teaching Cost (\$22 per hour)</b>	\$0	\$136,620	\$227,700	\$428,076	\$778,734
<b>Start-up Loan/ Investment</b>	\$166,000	\$166,000	\$166,000	\$166,000	\$166,000
<b>Interest/Dividend (16.125%)</b>	\$13,384	\$26,768	\$26,768	\$26,768	\$26,768
<b>Revenue</b>	\$0	\$198,720	\$331,200	\$632,592	\$1,163,340
<b>Net surplus</b>	<b>-\$14,009</b>	<b>-\$97,933</b>	<b>-\$50,533</b>	<b>\$46,484</b>	<b>\$230,574</b>

### Projected uptake of Kiwi Classroom courses and pricing

#### Year one:

- The course will be available only on an individual lesson basis.
- 150 users: 80% on a full year, 15% on a 3-month, and 5% on a 6-month subscription
- 12 months courses will consist of 48 hours of study, making the average number of hours completed by a user 41.40 hours.
- In year one, TEFL teachers will teach a total 6,210 hours.
- 30 New Zealand teachers will each teach five hours per week (to five students) at a rate of \$22/hour; the total cost of teacher wages in year one would be \$136,620.

#### Year two:

These figures are expected to increase in year two with 250 students using the platform and an additional 20 teachers will be required.

#### Years three and four:

Kiwi Classroom will start offering multi-user subscriptions for intermediate and advanced level courses. Students would be able to sign up for group classes (two or four students) at a less expensive individual rate.

### Kiwi Classroom revenue and course pricing

Courses will be priced as follows:

- Courses would be priced according to the length of subscription and the number of students participating in each lesson.
- From Year 3 onwards, individual, pair, and four-person lessons will be offered.
- Individual pricing will be set at a rate of \$32NZD (approximately 6808 THB) per lesson.
- This would decrease when lessons are taken in pairs or groups.

The subscription fee revenue stream would be accompanied by second-tier streams involving resource sales and advertising revenue such as offering textbooks and other additional learning resources through an online shop on the platform.

### Legal requirements

Thailand's new Social Enterprise Act allows social enterprises to distribute only 30% of their profit to shareholders. The remaining 70% must be reinvested in business or community projects. While this could limit initial shareholder investment, 100% corporate income tax deduction, along with start-up funding, interest rate subsidies and support for research and development provide a legal framework that would support Kiwi Classroom over time.



## Evaluation: how will we know if Kiwi Classroom is effective?

Recording and analysis of key performance indicators (KPIs) of social impact is critical for a social enterprise. The following table outlines the central objectives of Kiwi Classroom, with KPIs and suitable short- and long-term goals attached to each.

**Table 5: Platform evaluation**

Objective	KPI	1 year goal (2020)	5+ Year goal (2025)
Enhance the level of English proficiency in Thailand	English proficiency test: average and median scores to be recorded; average score percentage enhancement to indicate English proficiency enhancement	10%	30%
Bridge the gap between availability and access to English education	Outsourcing Social impact assessment agency (Sal Forest)	2%	15%
Module sales/new customers	Growing customer-user base	150 students	1200 students
Financial sustainability and efficiency- Revenue and Costs	Net profit	Net surplus -97,933 (50% until break even)	35% over break even point
Customer satisfaction, engagement level	Regular Anonymous Review / survey (per module or course)	Not under 75% every month	Not under 90% every month

**Mitigation:** Differentiate Kiwi Classroom on the basis of unique selling points such as partnerships with the New Zealand government.

**Risk:** Failure to attract clients

**Mitigation:** The employment of a local Thai representative to promote the offering; use of existing contacts, both business and personal.

## Limitations and risks

**Risk:** Poor internet connections, consumer confusion with platform.

**Mitigation:** Initially Kiwi Classroom will launch in regions with good broadband connections. The enterprise will employ a Thailand-based specialist to deal with issues around platform use.

**Risk:** Curriculum and course materials containing errors or lacking clarity.

**Mitigation:** These will be designed by a native English speaker to be grammatically correct and clear.

**Risk:** Lack of New Zealand TEFL teachers signing up to the platform, limiting the number of users the platform can sustain.

**Mitigation:** Provide incentives such as the opportunity to co-teach in Thailand and collaborate with TEFL institutes to raise awareness of employment opportunities.

**Risk:** Increasing competition and mimic platforms.

## The future of Kiwi Classroom: expansion potential

As Kiwi Classroom grows there will be other opportunities to extend the platform. There is potential for cross-cultural communication with New Zealand students. The Thailand-based school would purchase a subscription to this platform for its students to practice their English via video and written communication. This part of the platform would not only increase Thai students' knowledge of New Zealand as a possible study destination, but would encourage international exchange experiences between Thailand and New Zealand. This could lead to increased numbers of Thai international students in New Zealand.

Data analysis of the usage, feedback and proficiency improvement results of the platform would provide key information for stakeholders, thus increasing their engagement with the platform. It will also help Kiwi Classroom to keep improving its online service.

## CONCLUSION

**Overall, this report has highlighted an opportunity for New Zealand entrepreneurs to create an e-learning platform with the goal of improving the English proficiency of Thai students and teachers.**

By reinvesting profits into equalising access to quality education, the enterprise has at its core a positive social impact.

This report also details the key challenges that New Zealand entrepreneurs would face in establishing this platform, but has outlined the many strengths of the proposed venture.

Kiwi Classroom has the ability to address key gaps in the Thailand education market that have been identified.

It would use an already successful framework and there is clear potential for expansion throughout developing South-East Asian nations.

Development of this platform will be mutually beneficial to both Thailand and New Zealand. It would improve English proficiency in Thailand while providing unique opportunities for New Zealand entrepreneurs.

Additionally, the platform enables the marketing of New Zealand as an attractive study destination for South East Asian nationals.

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<sup>1</sup> Ākina. (2018). Proposing a New Legal Structure for Social Enterprise in New Zealand. Retrieved from: <http://akina.org.nz/news/proposing-new-legal-structure-social-enterprise-new-zealand/>

<sup>2</sup> World Travel and Tourism Council. (2018). Retrieved from: <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/thailand2018.pdf>

<sup>3</sup> Education First. (2018). EF English Proficiency Index. Retrieved from: <https://www.ef.sg/epi/regions/asia/>

<sup>4</sup> Online Reporters. (2018, March 31). O-Net Scores Still Disappoint. Bangkok Post. Retrieved from: <https://www.bangkokpost.com/news/general/1438387/o-net-scores-still-disappoint>

<sup>5</sup> Internal Affairs. (2017). New Zealand's digital economy a 'standout among standouts'. Retrieved from: <https://www.ict.govt.nz/news-and-updates/government-ict-updates/new-zealands-digital-economy-a-standout-among-standouts/>

<sup>6</sup> Education NZ. (2017) 2017 International Student Enrolment Summary. Retrieved from: <https://enz.govt.nz/assets/Uploads/2017-T2-Student-Enrolments-Dashboard.pdf>

# SOUTHEAST ASIA CENTRE OF ASIA-PACIFIC EXCELLENCE

The Southeast Asia Centre of Asia-Pacific Excellence (SEA CAPE) was established by the New Zealand government to enhance our engagement with the ten ASEAN member countries and Timor-Leste.

SEA CAPE is hosted by Victoria University of Wellington as part of a consortium of New Zealand universities that also includes the University of Auckland, the University of Waikato, and the University of Otago.

We work together with exporters, young New Zealanders, government agencies and others to improve understanding of these countries and build knowledge of their economies, languages, cultures and business protocols.

Through our Market Readiness and Market Insights Programmes, and mobility initiatives such as the Tertiary Market Immersion Programme and BizVenture, we show New Zealanders why and how to deepen our understanding of these valuable economies.

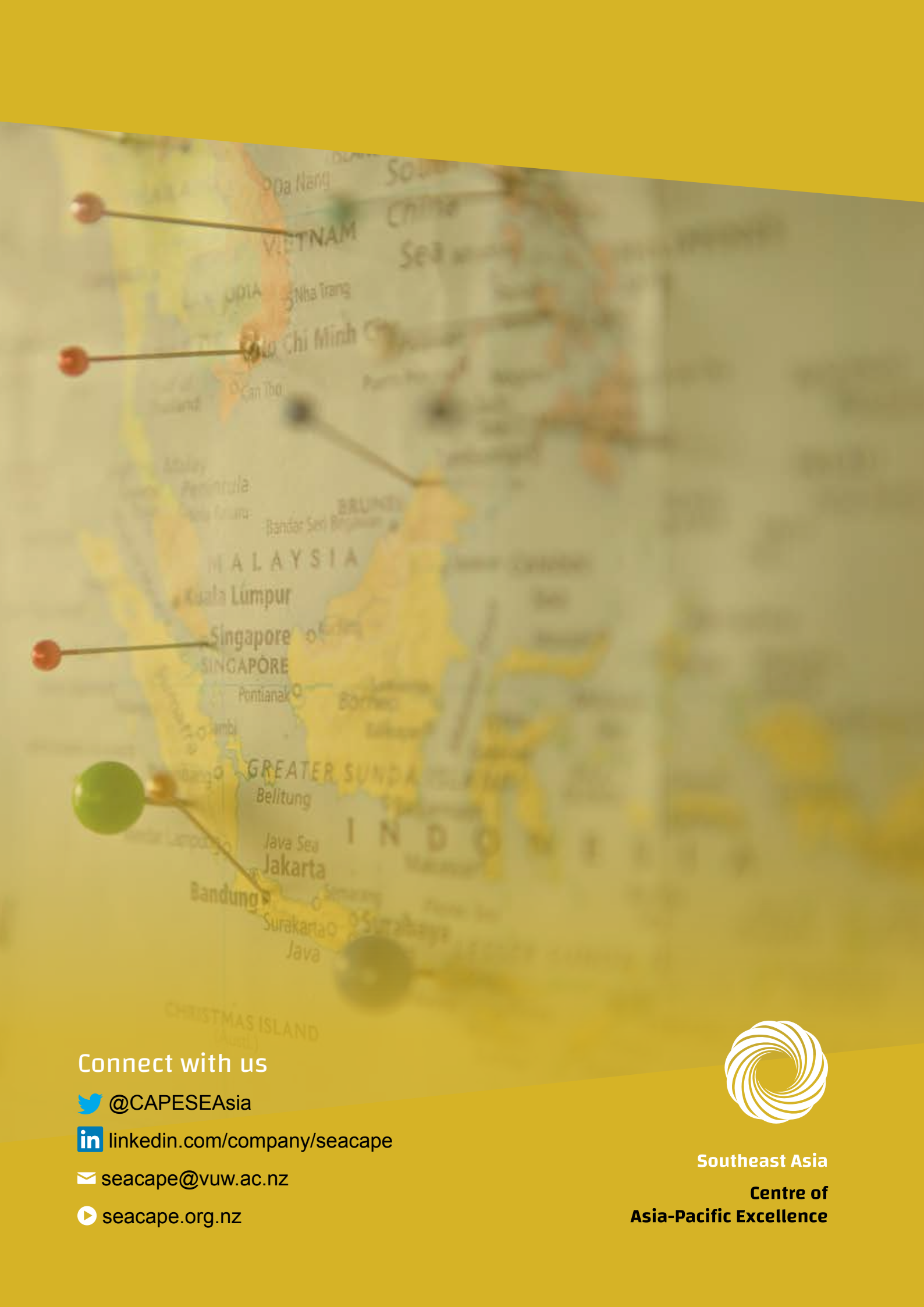
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The Southeast Asia CAPE has four key objectives:

- To equip New Zealanders to engage and do business with the ASEAN countries and Timor Leste.
- To broaden and deepen New Zealanders' understanding of Southeast Asian cultures, societies, languages, politics and economies.
- To excel nationally and internationally in the dissemination of knowledge and skills relating to Southeast Asia.
- To enhance New Zealand's economic, trade, political and cultural relationships within the region.

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 [linkedin.com/company/seacape](https://www.linkedin.com/company/seacape)

 [seacape@vuw.ac.nz](mailto:seacape@vuw.ac.nz)

 [seacape.org.nz](http://seacape.org.nz)



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