

Development and profitability

Lingo Media's double bottom line

As any Canadian university graduate headed for China to teach English will tell you, preparations for the 2008 Beijing Olympics have triggered an explosion in demand for English as a Foreign Language (EFL) training in the world's most populous country. But opportunities are far from limited to prospective EFL teachers, as one innovative Toronto publisher has demonstrated.

Michael Kraft, President and CEO of Toronto-based **Lingo Media**, explains that his English language publishing company has made dramatic inroads into the Chinese market, and is now allied with China's largest and most successful publishing houses. As he puts it, "At first, the Chinese market was a trifle intimidating. We faced linguistic barriers and a very different business culture, compounded by economic uncertainty and our own concerns about intellectual property. So we engaged **DAI Inc.**, a firm of China specialists, sought and won Canadian government backing, and took the leap. I can't say we never looked back, but today we are very pleased that we stuck it out."

Remarkable growth

Since 1998, the firm, with the backing of the Canadian International Development Agency's Industrial Cooperation Program (CIDA-INC), has cemented initial successes and formed a series of co-publishing agreements in China.

Lingo Media's PEP Primary English textbooks and supplemental teaching materials, co-published with Chinese educational publishing giant People's Education Press (PEP), now command approximately 60% of the primary English textbook market. More than

31 million program components have been sold, and more than 21 million students have used PEP Primary English nationwide, including almost 9 million students in 2003 alone.

Lingo Media has also developed a national TV presence with its acclaimed PEP Primary English television series, which now airs daily on China Education Television. It is a stand-alone instructional tool for classes in underdeveloped areas where there are no qualified English teachers. In addition, Lingo Media plans to establish a product distribution company in China and pursue additional revenue and licensing opportunities including magazine and software publishing, and e-learning.

Three keys to success

Lingo Media credits its success in China to three main factors. First, it was essential to engage Canadian expertise on the Chinese market, which it found in Ottawa market development firm DAI Inc., and through the Canadian Embassy and consulates in China. In addition, Lingo Media participated in the DFAIT-sponsored Canada booth at **World Education Markets**, an annual education industry conference.

Second, the company invested the time and energy of its top executives in developing strong Chinese corporate partners—proven leaders in their respective sectors—building trusting relationships with both senior and middle management within these companies. "We persevered patiently while respecting cultural differences," says Kraft. "Finding the right co-publishing partner is vital. Sales in the highly-segmented educational market in China often depend on personal connections between the publisher and

local educational authorities. Through our Chinese partners, especially PEP, we have been able to access unrivalled distribution channels in the primary English textbook market."

A third, very important factor was Canadian government financial support. "The Chinese market is expensive to access, given the importance of relationships in Chinese culture," says Kraft. "We had to take our time and make numerous visits, all of which comes with a price. CIDA-INC believed in our project from the outset, and as we reported on initial successes, they continued to provide generous financial support until we got our Chinese operation on its feet."

That belief has paid off. Lingo Media's success in the world's fastest growing market has created jobs and generated tax revenue in Canada. In the words of David Arenburg, principal of DAI Inc., "In effect, CIDA-INC has created a double bottom line: tangible benefits for a developing country and economic growth here at home."

Vital initial support was also provided by Industry Canada's Program for Export Market Development, Canadian Heritage's Book Publishing and Industry Development Program for marketing and promotion, and by the Association for the Export of Canadian Books for international market penetration.

So what's next for Lingo Media? "This is just the beginning," says Kraft. "We are now looking at the enormous Spanish-speaking markets, following the model that has worked for us in China."

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