Russian E-Learning and Education Technology Market. The Study
Global E-Learning Market

The volume of the world education learning amounts to $4.5-5 trillion, set to roll over to $6-7 trillion. [Education International]

E-learning holds a share of 3% or $165B. Because of sustainable growth, digital learning industry is expected to rise above $240B gaining more than 5% year by year. [Global Market Insights] As seen in a more optimistic forecast, this value is to reach $252 as early as in 2020 at 17% yearly shifts. [EdTechXGlobal, IBIS Capital]

The United States is the most mature and major EdTech market, though its growth pace gradually slows down, demonstrating +4.0-4.4% each year. The second-greatest region is Southeast Asia (mostly, China and India), showing significantly faster development of +17%. It overtook Western Europe: $11.7B against $6.8B in 2016. [GSV Advisors, Global Market Insights] Disposing $1.2B in volume, Eastern Europe lags behind Western so far, however its pace is noticeably faster (+17%). [Docebo, Global Market Insights]

Russia acts as a driver of Eastern Europe market, showing its sole growth of 17-25% (according to various evaluations). [TAP Advisors, J’son & Partners Consulting, Ambient Insight, Edutainme]
“I've been predicting that by 2030 the largest company on the internet is going to be an education-based company that we haven't heard of yet.” (excerpt from Business Insider interview).

According to Frey’s forecast, artificial intelligence adapting to capabilities, propensities, and purposes of students is likely to replace traditional tutors in a future education center.

Thomas Frey
Senior Futurist at DaVinci Institute (Colorado, US)
With the undoubtable growth of Russian EdTech, information regarding its state in early 2017 remained disparate and fragmented. Also, no credible data was provided on the depth of modern technology’s propensity through education. Any attempts of creating a panoramic view of the just-emerged industry turned out to be contradictive and mostly questionable. It was the eagerness to close gaps that had driven us to carry out an integrate systematic market study.

To provide analysis consistency, our work group has categorized market segments in a career-age fashion: it was based not on types of digital products offered by players, but on the levels and purposes of the educational system that empower students to acquire knowledge and skills. We also measured the volume of the B2B and language learning segments that are set apart from the industry landscape, as well as analyzed their current status.

In the very beginning, we present a general review of the governmental regulation of education (including online). After that we come to the structure of Russian education market, showing its structure, evaluating volumes generally and segment-wise, and — most crucially — measure proliferation of online technology in every direction. Each market segment was assessed in terms of audience and financial metrics, trends, and growth forecasts. Further comes the overview of key vectors of investment activity in Russian e-learning.

Last but not least is the section of company cards — short unified micro-reviews of major, disruptive, or somehow-distinctive Russian EdTech projects. What is more, these cards include, where appropriate, market evaluation insights from players.
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The same is applied to quoting experts we had surveyed for the study, charts, and other illustrative materials. Should you have any questions related to using our content, please contact our Project Editor at editor@edumarket.digital.
Study Partners
Preface
We are privileged to live in a great time. It is clearly seen how legacy approaches fall short of students’ demands and how new methodologies and solutions based on them become a game changer. Digital learning is not more just a field of careful experiments. Having rapidly jumped over the establishment period, e-learning gives birth for more and more commercially successful businesses. What is more, new efficient services and products emerge. Russian EdTech leaders increase their revenue by two or even three times each year. As respected futurists prophesize, by 2030 educational companies will enter the league of technology star-businesses determining the image of our world. We are on the threshold of the phase shift: following the pioneers, each user will adopt and start actively using digital education technologies. This will reshape education as an industry and significantly influence it as a market.
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E-Learning in Russia
**Russian Market Volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Market Value</th>
<th>Private Sector</th>
<th>E-learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$29B</td>
<td>19.2% — $5.67B</td>
<td>1.1% — $334M</td>
</tr>
<tr>
<td>2021</td>
<td>$32.2B</td>
<td>18.9% — $6.22B</td>
<td>2.6% — $860M</td>
</tr>
</tbody>
</table>

*All amounts hereinafter were converted into dollars at the 2016-2017 average rate of 62 RUB/USD.*
## 2016 Market Structure

<table>
<thead>
<tr>
<th>Pre-School Education</th>
<th>General Secondary Education</th>
<th>Extended School Education</th>
<th>Higher Education</th>
<th>Secondary Vocational Education</th>
<th>Continuing Professional Education</th>
<th>Language Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7.45B</td>
<td>$9.2B</td>
<td>$2.1B</td>
<td>$6.2B</td>
<td>$2.4B</td>
<td>$1.7B</td>
<td>$432M</td>
</tr>
<tr>
<td>Private sector share</td>
<td>Private sector share</td>
<td>Private sector share</td>
<td>Private sector share</td>
<td>Private sector share</td>
<td>Private sector share</td>
<td>Private sector share</td>
</tr>
<tr>
<td>9.7%</td>
<td>5%</td>
<td>100%</td>
<td>8.9%</td>
<td>4.4%</td>
<td>73%</td>
<td>95.2%</td>
</tr>
<tr>
<td>$726M</td>
<td>$661M</td>
<td>$2.1B</td>
<td>$548M</td>
<td>$97M</td>
<td>$1.241B</td>
<td>$411M</td>
</tr>
<tr>
<td>E-learning</td>
<td>E-learning</td>
<td>E-learning</td>
<td>E-learning</td>
<td>E-learning</td>
<td>E-learning</td>
<td>E-learning and blended learning</td>
</tr>
<tr>
<td>&gt;0.1%</td>
<td>~0%</td>
<td>2.7%</td>
<td>1.8%</td>
<td>0.4%</td>
<td>6.7%</td>
<td>5.8%</td>
</tr>
<tr>
<td>$9.5M</td>
<td>$58M</td>
<td>$109.7M</td>
<td>$9.7M</td>
<td>$113M</td>
<td>$25M</td>
<td></td>
</tr>
</tbody>
</table>
# 2021 Market Structure

<table>
<thead>
<tr>
<th>Education</th>
<th>Pre-School Education</th>
<th>General Secondary Education</th>
<th>Extended School Education</th>
<th>Higher Education</th>
<th>Secondary Vocational Education</th>
<th>Continuing Professional Education</th>
<th>Language Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$8.8B</td>
<td>$11.3B</td>
<td>$2.4B</td>
<td>$5.4B</td>
<td>$2.8B</td>
<td>$1.7B</td>
<td>$396M</td>
</tr>
<tr>
<td>Private sector share</td>
<td>9.6%</td>
<td>5.8%</td>
<td>100%</td>
<td>7.9%</td>
<td>5.5%</td>
<td>73%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>$855M</td>
<td>$452M</td>
<td>$2.4B</td>
<td>$419M</td>
<td>$156M</td>
<td>$1.225B</td>
<td></td>
</tr>
<tr>
<td>E-learning</td>
<td>0.3%</td>
<td>1.5%</td>
<td>6.8%</td>
<td>4.4%</td>
<td>1%</td>
<td>10.9%</td>
<td>15.9%</td>
</tr>
<tr>
<td></td>
<td>$27M</td>
<td>$161M</td>
<td>$161M</td>
<td>$242M</td>
<td>$29M</td>
<td>$177M</td>
<td>$63M</td>
</tr>
</tbody>
</table>
Facts about Russian E-Learning

- By end of 2016, Russian education market value had come to $29B (1.8 trillion rubles). Within the next five years, it will gain hundreds of millions of dollars each year.

- In terms of EdTech, most commercially successful directions today are continuing professional and higher education, which make around 113M dollars and 109.7M dollars respectively.

- Private business positions are improving. According to 2016, non-public sector share in Russian education came to 19.2% ($5.67B). It is to slightly change its percentage by 2021, but will increase its monetary value by $6.22B.
E-Learning Public Policy of Russia
Main Regulatory Acts

Russian legislation comprises terms as “electronic education” and “digital educational technologies”. These activities are regulated by appropriate documents.

- Federal Law No. 273 of 29 December 2012 on education (with amendments of 2016-2017);
- Order of the Government of the Russian Federation of October 28, 2013 No. 966 on licensing of educational activities (Revised on November 12, 2016);
- Order of the Government of the Russian Federation of November 18, 2013 No. 1039 on the state accreditation of educational activities (Revised on April 20, 2016);
- Order of the Ministry of Education and Science of the Russian Federation No. 464 of June 14, 2013 on approval of the Procedure for organization and implementation of educational activity under secondary vocational education programs (Revised on December 15, 2014);
- Order of the Ministry of Education and Science of the Russian Federation No. 1008 of August 29, 2013 on approving the Procedure for organization and implementation of educational activity under additional general education programs;
So far, changes in Russian legislation regulating digital methods of education have been lagging behind EdTech industry demands and have not been being aligned to growth pace of the latter. However, the gap is being closed.

In 2016-2017, Russia started taking heed to digital educational technology. Independent private e-learning companies got into an ambivalent situation: on the one hand, public policy toward the industry is exercised with no transparent consideration of company interests and needs; on the other hand, with the prominent eagerness to develop e-learning in Russia, government crucially lacks its own action-oriented expertise in this fields. All that results in attempts of cloning market’s best practices.

The highest-priority state project Modern Digital Educational Environment in Russia (long-term, for 2016-2021) considers actual e-learning trends. There is reason to believe that Russian legislation is to be mostly aligned to modern technological and business landscape within next years.

Decree of the President of the Russian Federation No. 203 of May 9, 2017 on the strategy of development of the information society in the Russian Federation for the years 2017-2030 follows the common line. According to the document, “formation of various e-learning platforms to facilitate accessibility of high-quality education services” is one of tasks of applying information and communication technology for development of community, state administration system, citizen-state interaction.
As study authors and industry experts observed, most state-instigated measures on regulation of e-learning are aimed mostly at reinforcement of the governmental position as a market player.

General and extended secondary education are segments likely to be regulated properly by the government, and therefore are among most investment-attractive. Government is engaged in adopting digital technology in school life. Therefore, within the national program for education development in 2016-2020, upon the order of the Government were formed several requirements for implementation of the pilot project on “formation of the school network adopting experimental and innovative initiatives for tuning new technology and syllabus (at least 200)”. 

E-learning in Russia has several regulatory constraints that seem temporary for study authors and can offer rich opportunities for business when loosened. More than 200 jobs and more than 100 specialties of secondary vocational education do not provide fully digital format. However, some of them are already potentially empowered to be taught with no need for visiting an educational institution — for instance, a secretary, record keeper, clerk.
Pre-School Education
Pre-School Education Audience

- **8.6M** visit nursery schools
- **5.5M** get extended education
- **2.8M** take courses for parents

- **98.4%** Public nursery schools
- **1.6%** Private nursery schools
- **45%** Free courses
- **54%** Other private organizations or tutors
- **12%** Paid courses

*Data forecasted for 2021*
Pre-School Education Market Volume

- **$8.3B**
  - nursery school services
  - 7,0 % Public
  - 93,0 % Private

- **$502M**
  - extended education for children
  - 47 % Public
  - 53 % Private

- **$3.2M**
  - extended education for parents
  - 100 % Private

* Data forecasted for 2021
Online Market Size

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$9.5M</td>
</tr>
<tr>
<td>2021</td>
<td>$27M</td>
</tr>
</tbody>
</table>

- To date, public sector holds some 93%. However, dynamics of how business proliferates through the general pre-school education field gives a reason to forecast $105–130M growth of private services by 2021.

- 3.4M children go to no pre-school institutions. This number represents a rich market, particularly for EdTech companies.

- 64% nursery school children get extended education, which in part means the following:
  - Traditional education formats fall short of needs;
  - There is a potential for online services targeted to preschoolers.
Facts about Pre-School Education

• According to the survey conducted by study authors, 49% parents whose children attended extended courses used e-learning tools. Only 3.2% respondents paid for corresponding services. However, the point is that parents are ready to invest sufficient funds in education of young children: average private nursery school bill came to 3,700 dollars in 2016 — this amount is higher than fee for tuition at a regional-average secondary school (2,500 dollars).

• For five years, the number of online-educated pre-school children must reach 8% of all those getting extended education: from 242 thousand children in 2016 to 687 thousand in 2021.

• Online activities in the field come down mostly to extended video-assisted courses, simulators and digital materials requiring parent support.

• This field is barely saturated, bearing tremendous growth potential in spite of obvious challenges regarding implementation of online mechanisms into pre-school education. Key tasks of segment players are assembling the audience and forming the habit of using their products and services — generally speaking, the problem is to accustom parents to paying for online education of their child 3-6 years old.

• Subscription-based model is dominating. On the average, minimum subscription period amounts to 5-6 months. Average revenue per “client lifecycle” accounts for $24-32 for half a year.

• Pursuant to market players’ evaluation, children audience growth makes 10-20% per year in their projects.
General Secondary Education
The infrastructure of general secondary education in Russia comprises public and private institutions for children and teens 7-17 years old. General education schools are mostly designed for daytime education, while evening-time and changeable formats hold just 1.2% in overall percentage of students. By the end of 2015/2016 academic year, 43,374 schools operated in Russia, implicitly prevailed by public ones. Private schools hold 1.8% or 5% of market value.

Proliferation of the private sector through the general secondary education field is indicative for positive dynamics: we forecast the growth of private business’ share up to 6% by 2021. In monetary terms, private schools are to gain about $198M. Results of the Public Opinion Foundation’s all-Russian survey provide evidence for high potential of private education: 13% respondents would prefer sending their child to a private school. Moreover, 21% surveyed consider environment and tutorship quality in private schools higher than in public ones.
General Secondary Education

General Secondary Education Market Volume

>$11.26B

Total Market Volume

- Public Schools
- Private Schools

※ Data forecasted for 2021
According to our calculations, proliferation of online technology through general secondary education is to reach 1.5% by 2021 (more than $160M in monetary terms). Today’s value is miserly.

- In 2016, general secondary education market in Russia amounted to at least $9.2B. By 2021, it is to hold $11.26-11.30B.

- The share of private schools in Russia makes 1.8% of their total number — this equals to good 5% of the overall market value.

- Most schoolchildren are ready to get educated online.

- Government encourages implementation of EdTech in general secondary education.

- This is parents who mostly doubt feasibility of permanent using online technology in education. However, 8% are ready for home education for their children.

- One of prominent challenges of secondary education in Russia is increasing number of underfilled schools. It may be remedied by virtue of private business, including involvement of online technology.
In concordance with Oblako Znaniy (Knowledge Cloud) project founders’ evaluation, the market of digital content for school education in Russia amounts to more than $3M per year.

Segment leaders are likely to sell products to multiple significant consumer categories: individuals, companies, and public sector. Their interests are deeply intertwined.

Certain regions of Russia operate as enclosed markets. Some of them bless private business initiatives, while others are not ready to let “strangers” in.

There are also several challenged inhibiting large-scale private initiatives in general secondary education, particularly those regarding organizing a fully digital school. Pavel Arsenyev, Internet-urok (Internet Lesson), “…the state sets constraints. For instance, in order to acquire the license for general education, even if you constitute an online school, you must have a gym, cafeteria, locker room, etc., regardless of the fact these facilities will never be used. Just a formal requirement.”
Facts about General Secondary Education

• Low level of digitalization of school education is usually due to:
  
  – Lack of necessary infrastructure;

  – Lack of essential skills of educational institution employees and consequent low motivation to use digital systems and goods.

• Segment perspectives lie in technological transformations.
Extended School Education

Extended School Education Market Volume

>$2.4B

Total Market Volume

- Tutoring
- School teachers’ services
- Courses

* Data forecasted for 2021

° Data forecasted for 2021
Facts about Extended School Education

- Number of schoolchildren getting extended education is rising and is to reach 6.9M people by 2021.

- Most schoolchildren additionally study to prepare for exams. However, this is not the sole reason why they appeal to such services. The extended school education market will reach $2.4B within 5 years. The audience is the highest in towns with a population of 50,000-1M people.

- By early 2017, the online segment of extended general education holds 2.7% or $58M. Five years from now, it is expected to strike 6.8% or $161M.

- Average bill for online learning in extended school education makes $35/month. The potential for proliferation and growth of online technology in extended school education is significantly higher than that in general secondary education.

- 60% online-engaged students study in parallel with taking tutorship sessions — offline or online.

- The market of online exam preparations amounts to $24-25M per year. Its major part accounts for tutorship and resident courses. The share of online makes 6-7% of the total market volume.
Facts about Extended School Education

• Main players of the extended school education segment are:
  – Online platforms;
  – Online external studies;
  – Online content libraries;
  – Tutorship service aggregators.

• The following business models are leading within the segment:
  – Pay per content unit;
  – Premium subscription to the whole library;
  – Direct course sales;
  – Permanent tickets for taking all the courses;
  – Monthly tickets;
  – Commission fees (aggregators).

• Industry experts believe projects on creating full-value and licensed online schools can be truly promising.
Higher Vocational Education
Higher Vocational Education Market

Public to Private Ratio (2015/2016 Academic Year):

- Public universities: 40.9%
- Private universities: 59.1%

2016

- $109.7M
- 1.8% — online

2021

- $242M
- 4.4% — online
Facts about Higher Vocational Education

- In 2016, non-state universities got about $547M paid by students. This amount will somehow decrease in next five years, mostly due to transition of some students to secondary vocational education.

- Online share in higher vocational education reached 1.8% in 2016. By 2021, this value is to strike 4.4%. Average yearly bill on distance learning in higher education accounted for more than $680.

- Total digital higher education market is to grow to $242M by 2021.

- According to Public Opinion Foundation’s survey, employers are mostly conservative against implementation of new educational programs in universities.

- Key challenges hindering full-value implementation of digital education in universities are:
  - Ill-preparedness of staff;
  - Issues related to ratio between supporting and academic staff;
  - Infrastructure-related issues;
  - Necessity for entire reengineering of business processes within a university.

- In the short term, AR/VR technology is to become popular in the segment.
Secondary Vocational Education
The Chart depicts the dynamics of the number of secondary vocational education students in Russia (in thousands). Though the market share of private secondary vocational education is not that high, the number of this segment’s students is to gain 47% by 2021.
• The number of private secondary vocational education program students is to grow pace and gain 47% by 2021.

• In 2016, fee-paying students brought $363M to the joint budget of public secondary vocational education institutions. The share of inflow is expected to grow further.

• Also in 2016, fees of students studying at non-state secondary vocational education institutions on mid-tier specialist programs amounted to around $103M. According to the forecast, this amount will significantly grow by 2021 and reach $158M.

• The share of online-program students is 0.82%; expected to reach 2% by 2021.

• Average yearly bill on e-learning programs in the segment accounts for $430.
Continuing Professional Education
The segment of continuing professional education includes continuing education services for adults (mostly 25-64 years). The market calculation involved the following services: career development courses, corporate education, further education in Russian and foreign universities (online and offline), mass online courses (Coursera, edX, etc.), seminars, trainings, and probations.

Here are the most popular forms of continuing professional education in Russia, obtained from the Russian Continuing Professional Education Study (2016) carried out by RANEPA.

- Programs of Russian universities: 38%
- Digital university studying: 11%
- Commercial courses (trainings, seminars): 29%
- In-house further education: 10%
- Self-learning web-services: 6%
- Mass online courses: 4%
- Programs of foreign universities: 2%
According to our assessment based on HSE’s Education Economy Study (2016), 8% Russian citizens (25-64 years) studied on continuing professional education programs in 2016. Of this number, 4M people, including public company employees, studied at the expense of their employers; the rest 2.7M people studied at their own expense.

**Who Pays for Continuing Professional Education (2016)**

- **Employer**: 40%
- **Staff**: 60%

**Total Market Volume**

- **Participants’ Funds**: 36%
- **Companies’ Funds**: 64%

**Continuing Professional Education Market in Russia by 2021**

$1.7B
Facts about Continuing Professional Education

- 84% employed Russians paying for their further education at own expense considered it useful, and just 4% not. Employees relatively keenly pay for studying on their own. Continuing Professional Education market volume equals to $1.7B by the end of 2016.

- Also by the end of 2016, proliferation of online technology through continuing professional education made about 10% of the total segment audience (up to 7% of the total market volume). In monetary terms this value accounted for around $113M. Average bill for online learning came to $240-245/year. By 2021, online-sector audience is to reach 14% of the total continuing professional education “students” (up to 11% of the market volume), or $177M.

- The dominating groups among the target audience in the field of business education, IT courses, and organizational and managerial skills learning are people 20-35 years old, of which 70% are men.
### Facts about Continuing Professional Education

- Average bill for content library subscription makes $10-30/year, depending on complexity and specifics of materials. Average yearly payment for full-value online programs reaches $325 with the length duration of 40 hours.

- Combined (online + offline) top-management learning programs are a promising field. Trends also include cultivation of systematic cooperation between market players and potential employers that can hire graduates of the former ones.

- The challenges that segment professionals face are:
  - Issues associated with acquiring educational activity license;
  - Long death valley of startups.
Language Education
A rich range of services is offered on the language education market. They differ both by educational mechanisms and by audience. The market has three subsegments:

– Group lessons;
– Private lessons;
– Self-study.

As follows from our estimations, private language education business spans about 88% audience. Public sector is competitive only in the context of group lessons: schools and universities are the most preferable places for studying mostly for upper-formers and students.
Language Education Market

Distribution of Languages by Popularity

- English: 89%
- German: 10%
- French: 4%
- Chinese: 3%
- Italian: 2%
- Spanish: 2%

Distribution of Skills by Demand

- Speech: 20%
- Aural Comprehension: 19%
- Pronunciation: 14%
- Vocabulary: 14%
- Reading: 12%
- Grammar: 12%
- Writing: 9%
Language Education Market

Distribution of Online Language Learners by Knowledge Format

2016

11% — online

2016-2021 Language Education Market Evaluation

Total volume (2016) $432M
Online segment in 2016 5.8%

Total volume (by 2021) $396M
Online segment by 2021 15.9%
By the end of 2016, language education market equaled to $432M. Of this amount, offline segment held about 94.2%. The remaining amount was distributed across online and blended learning formats.

In monetary terms, a slight decrease of the segment volume is forecasted by 2021: the market is to shrink down to $396M due to demographic changes and growth of the online segment, where average bills are still significantly lower. Online segment will make about 16% by 2021.

To date, monthly bill for offline services amounts to $65 per student; and to $30-35 for online.

According to results of the survey The Study of Russian Language Education Audience carried out by the study authors in June-July 2017, 39% learners prefer group lessons, 21% back private sessions, and 40% study on their own. We must note that in 20% cases self-study is combined with group lessons and in 14% with private.

On the market of tuition services, 78% students are taught by a tutor offline, 14% study online with a tutor, and 8% use a combined online-offline format.
**Facts about Language Education**

- Surveyed people with monthly income of more than $1200 per family prefer private lessons rather than groups significantly more often than less wealthy people. In most cases, they actually combine tutorship and self-study.

- Of the overall number of self-study learners, 59% pay for services and content. The average amount of payment came to $2.8-3.0/month.

- Privately, in groups, or by self-study, 2% Russians 25-64 years old learn languages. Adding younger groups (upper-formers 15-17 years old, university students and vocational secondary education learners 18-24 years old), we get 3% population.

- The prevailing and most active audience of online language-learning projects are people 24-40 years old. Gender ratio across services and platforms varies from the equilibrium to 70/30 for women.

- Some market players gain audience 50+ years old.

- The language popularity rating (regardless of the studying format) is led by English with a large margin, selected by 89% learners. It is followed by German (10%), French (4%), Chinese (3%), Italian and Spanish (2% each).

- Online-learning audience makes 11% of the total number of language learners. Of them, 63% study online only, and 37% use combined formats.
Facts about Language Education

• Most people surveyed learn languages for applications: traveling, career, etc. Only few learners share and implement the idea of continuing foreign language learning.

• These are the most common business models of the segment:
  – Freemium with further subscription;
  – Direct course sales;
  – Advertising model;
  – Private online lessons with tutors.

• Average payment for offline language lessons makes about $16-17/week (at a total lesson duration of 2.7 hours/week). With that, average cost of an online language lesson is lower almost twofold: about $8 per tutor-assisted learning week.

• Key market challenges noticed by experts include poor engagement and low motivation of the most part of the audience — mainly in self-study services. Alexander Antonov, Puzzle English, “User lifetime in Russian’s top online language services equals to several months. People do want to know English, but what they are actually offered seems dull and complex to them. So far, the market has no solutions to be as addictive as games are.”
B2B Market
B2B Market in Online Education

2016

$48M

- Average weighted market value of B2B in online education comes to $48M/year.

- Corporations make the most of money of the B2B sector.

- Average bill per corporate program listener depends on the number of a class and can reach 40% of the payment made by an individual to get a corresponding service in B2C.

- The demand for corporate digital learning solutions remains high in spite of 2013-2014 economic instability period, demonstrated particularly by the banking and retail sectors.

- Solutions for development of digital content and learning management systems are chiefly demanded and the most commonly offered by providing companies.

- Key business models in B2B are subscription-based SaaS and selling licenses.

- There are some Russian EdTech companies that made out abroad: iSpring, Competentum.
B2B Market in Online Education

- Yury Uskov, iSpring, “There was an occasion in our practice when we managed to reduce costs for studying an employee from $72 to $2.”

- According to evaluation of Skillary project founders, the market of sales, negotiation, and managerial skills trainings for major and medium-size companies in Russia accounts for more than $32M.

- Alexey Gonnochenko, Chief of Skolkovo Educational Projects, “The key factor inhibiting investment in EdTech is that all the educational projects are somehow linked to the state. Settled with the government — got a greenlight for sales; not settled — got nothing. However, the situation gradually changes, and these transformations concern investors as well. It suddenly turns out that small-scale products can enter the market and even be implemented in schools without a powerful lobby. A good example is YaKlass. With a team of 5-6 members, it doubles its revenue each year.”

- Within 1-2 years, segment consolidation is expected. The leadership must be captured by 3-5 major players that will compete with each other. Today, B2B segment is highly fragmented being at the early development stage.

- A global trend is intensification of business demand for employee training. In the context of actual problems, the online format looks more appealing against traditional non-digital ones because of lower costs.
Investment in Russian E-Learning Market
With relatively low volume of Russian venture market, just few EdTech investment deals had been closed by 2016. Within three years (2014, 2015, 2016) just 65 deals were noted; only some of them exceeded $1M, while fewer than two tens made more than $100,000. The total number of deals must be higher when considering those that were not disclosed or found.

Founded in 2013 upon the Decree of the President, the Internet Initiatives Development Fund invested medium-scale amounts in 26 projects, having provided 40% discovered deals.

Other funds and accelerators partook in 13 more deals within 3 years. Corporations provided 7 startups with financial support (including grants).

15 deals were spanned by private investors (business angels) — it appears that the majority of non-disclosed deals belongs to this segment.

The total volume of investment by any certain year never exceeded $10M. In 2016, investment volume was insignificant: just $2.1M was invested in Russian EdTech startups (only disclosed deals considered).

It must be said that EdTech investments decreased globally in 2016 as well, showing almost 30% fall down to $2.0-2.2B. In other industries startup investments also dropped.
Investing in Russian E-Learning Market

**Investment Volume**

The study was grounded on data provided by Rusbase, IIDF, and other sources. These numbers include investments of all volumes received from public and private investment funds, accelerators, business angels and corporations by Russia-based startups. The actual number of deals must be significantly higher with respect given to those that were not disclosed or found.

The study was grounded on data provided by Rusbase, IIDF, and other sources. These numbers include all types of investment deals except for Russian funds’ investments in foreign startups. The actual number of deals must be significantly higher with respect given to those that were not disclosed or found. For instance, the amount of Mail.Ru’s 2016 merger of GeekBrains was not disclosed.
Top Venture-Financed Russian EdTech Startups

**Coursmos**
$680,000 in 2014 from Imperious Group (Russian venture fund), Happy Farm (Ukrainian accelerator), and Evgeny Medvednikov (Russian business angel); $600,000 in 2015 from Altera Capital and Imperious Group.

**Dnevnik.ru**
$1.7M in 2011 from Prostor Capital; $5M in 2012 from Runa Capital.

**Easy Ten**
About $500,000 in 2014 from IIDF; $125,000 in 2016 from 500 Startups (U.S.).

**Geen.io**
$2M in 2014 from the non-disclosed investor.

**LinguaLeo**
$200,000 angel investment in 2010; $3M in 2013 from Runa Capital; $500,000 in 2015 from Social Discovery Ventures and Runa Capital.

**Netology Group**
$2.2M in 2014 from InVenture Partners; $1.6M in 2015 from Buran Venture Capital. Also, allegedly up to $5M in 2017 (Severstal structures’ entering the company business).
In 2016 and 2017, more noticeable capital transfers occurred on Russian EdTech market.

The 2016 merger of GeekBrains (online platform for developers) by Mail.Ru Group became the pioneer corporate investment deal with an EdTech startup in Russia. Investors and entrepreneurs perceived the event as an indicator of the far-reaching corporate interest in the sector. According to data provided by GeekBrains, 0.5M users use the service month by month. By March 2017, more than 1.6M users were registered.

Another significant event took place in October 2016, when Prosvescheniye (Russian publishing house, the major player on the market of school literature) announced its intent to provide large-scale support for EdTech startups through the IIDF’s accelerator (see the next section). Prosvescheniye extends its business other ways as well — including a joint educational platform with Yandex. According to the media, Prosvescheniye plans an IPO by the end of 2019.

As Severstal holding acquired 40% of the Netology Group (evaluated for $50-60M, according to press) in August 2017 with additional investment in the company (the amount was at least $5M), became a foremost positive signal for the industry.

Corporations are likely to step further on the market, as e-learning and other technologies will proliferate deeper through education and other economy sectors. Besides, investment activity within the industry demonstrates the ascending trend.
Remarkable Market Players
### Netology Online Learning Center (belongs to Netology Group)

<table>
<thead>
<tr>
<th>Website</th>
<th>Headquarter</th>
<th>Area of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>netology.ru</td>
<td>Moscow</td>
<td>Online education, continuing professional education</td>
</tr>
<tr>
<td>Sector</td>
<td>Market</td>
<td>Founded in 2011</td>
</tr>
<tr>
<td>B2C</td>
<td>Russia &amp; CIS</td>
<td>Headcount 100+</td>
</tr>
</tbody>
</table>

#### Description
The online university preparing and providing continuing education for online marketing, project management, design, interface design, web design specialists, setting the focus on real skills. Further education programs for online specialists (2-3 months), 6-month professional retraining programs for digital specialists (management staff preparation). Formats supported: webinars, classroom lectures (as a par of blended learning), recorded lectures. Key feature: feedback-based tutor support.

#### Investment Volume
>$8.8M (venture capital)

#### Business Model
Average bill is $305 for online programs and $2420 for classroom. Revenue growth: $387,000 for 2014, $774,000 for 2015, $1.6M for 2016 (of them, $1.3M were gained by virtue of online programs), with $2.74M forecasted for 2017. Direct certain product sales. 4% view-to-order conversion. Up to $6,400 of extra revenue for each free program.

#### Audience
50% — users with clear intents; the rest — users involuntarily having much time (people with limitations, pregnant or maternity-leave women) and people “down to talking” and prone to spontaneous purchases.

#### Business & Product Development
I. Introduction of Packs combining 3-4 learning programs within a Specialty. The purpose is preparing a competent and thereby highly competitive specialist.

II. Schedule-free model. Once a week, students will attend expert-held webinars carried out as Q&A sessions. HR support, socialization, and availability of experts are insured. With that, students are not attached to the schedule, so it’s more convenient for them to use the content in the form it had been prepared. By means of the model, more students can be "processed".

III. Netology Campus. A live platform for various events and meetings of online students.

Another potential growth point is cooperation with universities and colleges oriented on combined learning format. Just a suggestion so far.
Foxford (belongs to Netology Group)

**Website**
foxford.ru

**Headquarter**
Moscow

**Area of Operation**
3-11 grade online school

**Sector**
B2C, B2G

**Market**
Russia & CIS

**Founded in**
2010

**Headcount**
130+ (including outstaff tutors)

**Description**
Foxford offers extended education for schoolchildren, namely “classic offline courses, now digitalized”. Students from all over Russia can be taught by best university and school tutors for reasonable price. To date, the tutor base counts 130,000 professionals. For teachers, the project offers online further development courses, retraining, conferences, and master classes. The company also elaborates cooperation with universities on academic competitions.

**Business Model**
Selling access to educational courses

**Audience**
Alexey Polovinkin, Foxford, “We have architected an online school not only for smart children but for those who want to fill gaps in learning or just prepare for exams. Foxford Tutor services serves the purpose of spanning this audience.”

**Business & Product Development**
“Foxford has the non-residence studies project that must transform into a full-value online school or secondary school to enable a school student pass a standard school program and acquire a certificate. To date, Netology Group’s license allows for providing extended education only.” One of the company purposes was to establish a college and thereby offer secondary vocational education. This drove the focus on combined (online + offline) formats. As Foxford administration sees, prospects of e-learning directly depend on optimization of state regulation and standardization, as well as on whether the stereotype of traditional education’s superiority over e-learning is dismantled.

The following projects are also to be executed:
- Career guidance for schoolchildren;
- Robotics online platforms to provide a student with theory basis and practical skills acquired during sessions with tutors empowered by the company with the methodology;
- Single-methodology extended education workshops.
HTML Academy

Website
htmlacademy.ru

Headquarter
Saint Petersburg

Area of Operation
Web development continuing professional education (HTML, CSS, JavaScript, PHP), online training programs

Sector
B2C

Market
Russia & CIS

Founded in
2013

Headcount
21

Description

User Base
More than 330,000 registered users, about 20,000 paying (made at least one payment), 11,000 new each month, 200,000 unique users/month.

Investment Volume
Alexander Pershin, HTML Academy Founder, “Today, the company is in the black and doesn’t need investors. However, we are not going to develop at our own expense only.”

Business Model
I. 27 paid courses (46 in total, rest 19 are free). Subscription:
   a) one day (24 hours) — $1.5;
   b) one year — $44;
   c) one month (30 days) — $6.
II. 5 workshops: 13-21 thousand rubles, depending on the specialty and payment terms. 2016 turnover — $645,000. Income structure: subscription — <15%, workshops — >85%.

Audience
20–35 years, 70% men. Noticeable groups:
• employed users (designers, marketers) acquiring new skills;
• users eager to change their job;
• users engaged by the concept and the art of web design;
• university graduates still seeking their career path and decided to try web coding.

Experience in Foreign-Market Development
There is an English-language project (htmlacademy.org). Alexander Pershin mentioned, ”To date, the project is frozen as it requires thoroughness and high efforts associated with foreign market specifics, legal issues, etc."

Business & Product Development
Currently, the company is focused on Russian market. As project founders state, the prospect for growth is grounded on rapid development of IT, Internet, and personnel shortage emerging due to by far lower dynamics of the labor market. One of the movement vectors is preparation of specialists so as they could meet demands of their employers. There is a directory called “graduate base”. Course lines are guided by the same reasons. Another purpose is scaling of existing workshops through increasing the number of students in a class.
GeekBrains

**Website**
geekbrains.ru

**Headquarter**
Moscow

**Area of Operation**
Online school for beginner coders

**Sector**
B2C

**Market**
Russia & CIS

**Founded in**
2009

**Description**
An online learning services for beginner coders. Supports viewing lessons (webinars), communicating with “classmates”, analyzing home assignments with tutors, and doing design works. One tutor per course. As Mail.ru Group Strategy & Analysis Chief Alexander Gorniy described, “After each lesson, a student evaluates the material, teaching style, and other factors — there are several key points of feedback that drive our tutors to developing.” Average course duration is 5 months.

**User Base**
About 1.8M registered users.

**Investment Volume**
Mail.ru Group acquired control of GeekBrains in August 2016.

**Business Model**
Monthly subscription or course purchase (credit available through the partner bank).

**Audience**
The project is actually a two-in-one service, comprising GeekBrains and GeekUniversity. Alexander Gorniy explained, “GeekBrains focuses on people being totally unaware of coding but eager to try. Our user may be an undergraduate economist or lawyer who evaluated the labor market and realized they should become a coder. They also may be a housewife or an accountant wishing to craft their own HTML page and know the basics. Or a business director that needs to understand what their coders do. And, probably, the largest audience is people already working somewhere as accountants or taxi drivers but not satisfied by their social status, desiring to transform their life into something new and worthwhile. GeekBrains can let them know the ground of coding — having acquired such knowledge, they will be able to get hired as junior developers in a web studio. GeekUniversity is targeted on somehow-established web developers having experience in coding, earning, though willing to surge and get to Mail.ru or a same-status company.”

**Business & Product Development**
B2B sector development: turn-key ready courses, corporate HR-based sales.
City Business School (CBS)

**Website**
e-mba.ru

**Headquarter**
Moscow

**Area of Operation**
Online MBA as primary

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<th>Sector</th>
<th>Market</th>
<th>Founded in</th>
<th>Headcount</th>
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</table>

**Description**
A City Business School operates on the career development market in the online MBA segment. B2B and B2G projects are: complex e-learning projects including content generation; digital educational platform; educational consulting; international EdTech projects.

**User Base**
More than 80,000 registered users by June 2017; of them, 9,000 are paying. Studying price is $580-1,600 — the amount depends on a program selected.

**Investment Volume**
No external investment.

**Audience**
Specialists, high- and medium-rank managers.

**Experience in Foreign-Market Development**
“Today, the key challenge of CBS development is the international market. So far, we have been considering Russia as a production floor, not as a market for it constitutes just 2% of the global field. We are carrying out pilot international projects at the moment.” Company’s main product beyond the CIS is short online courses. The main goal is to conduct MBA courses in 13 languages.

**Business Model**
Online MBA program generates the main income flow of CBS. Equally, the company positions itself as a career development market professional, competing both with classroom and remote courses. Denis Isakov, City Business School Founder, highlighted, “CBS is like IKEA in the online MBA market. High-quality and affordable.” In online MBA only, company’s turnover comes to more than $3.23M (2016). Total turnover of the group is not disclosed. “To date, we make use of various business models at the same time, trying to test the models themselves (freemium, info business, classic sales) and markets as well. We have test-driven about 50 models, and bolted out 5 we work with today.” “From the very beginning, we have been engaged in working with technology, research, and the product. We are on the last lap of acquiring the accreditation of AMBA (Association of MBAs). All R&Ds are finished, so we are all-set to expand into the international market.”

**Business & Product Development**
A fully-packaged product to be adapted to a wide range of users, designed for online-schools and courses is planned. Another priority is developing cooperation with corporate customers enriching the product line, and outstepping the MBA education field.
Zillion

Website
zillion.net

Headquarter
Moscow

Area of Operation
Continuing professional education

Sector

Market
Russia & CIS

Founded in
2013

Description
A Initially it was a webinar service. To date, the service constitutes a platform for generation and conduction of online courses. Zillion offers the following B2C services: online and blended education courses (2-3 months); mini-courses (3-7 hours); micro-courses (less than 2 hours). Also, the company allows recording and creation of individual learning programs. The platform library counts around 900 courses, some of which — mostly introductory lessons — are free. Audience-specific competition with CBS and Eduson; corporate-consumer competition with Eduson and GetCourse; library-content competition with Coursemos.

User Base
By June 2017, about 4,600 people were studying simultaneously. Since the platform foundation, more than 76,000 certificates have been issued.

Investment Volume
No external investment.

Experience in Foreign-Market Development
"Today, the key challenge of CBS development is the international market. So far, we have been considering Russia as a production floor, not as a market for it constitutes just 2% of the global field. We are carrying out pilot international projects at the moment." Company’s main product beyond the CIS is short online courses. The main goal is to conduct MBA courses in 13 languages.

Business Model
I. B2C: selling courses and certain lessons, online training services, etc. ($8-115). Mentor’s hourly pay is about $30-80.
II. B2B: pay-per-head studying (starting at $1.25 per employee).
III. Courses Developed On Customer Request:
   - inside Zillion;
   - for customer’s LMS. 3–4-hour course creation for $1,600-3,200.

Audience
Main B2C audience is low- and medium-rank managers investing in their education. B2B customers are medium and big companies needing employee training. Full Russian language support. 43% users are based in Ukraine, Belarus, and Kazakhstan.

Business & Product Development
The initial business model implied architecting of a webinar portal to sell the corresponding content. However, in the context of free content proliferation, the model was reviewed. One of models that were eventually rejected by Zillion was free online broadcasting of a lesson with further content breakdown into paid blocks. Artyom Polyansky, Zillion Co-Founder, mentioned, “Custom projects give more money than any other services. For instance, online academy or production courses turn-key ready creating on customer request. Once upon a time, we got a customer who wanted 4K infographics-assisted video lessons.”
Puzzle English

**Website**
puzzle-english.com

**Headquarter**
Moscow

**Area of Operation**
Language learning, online training

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<tr>
<th>Sector</th>
<th>Market</th>
<th>Founded in</th>
<th>Headcount</th>
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</thead>
<tbody>
<tr>
<td>B2C</td>
<td>CIS and Russian-speaking immigrants</td>
<td>2014</td>
<td>40+</td>
</tr>
</tbody>
</table>

**Description**
An online English-learning service focusing on aural speech perception skills and vernacular English. Available on the web and in mobile (Android and iOS). Formats supported: video lessons, games, interactive exercises.

**User Base**
More than 3.5M by June 2017; of them, more than 100,000 are paying. Investment from Genezis Capital (amount not disclosed). "Around $1M" from Sol Ventures. Individuals. Yearly breakdown of investment: $300,000 in 2014, $200,000 in 2015.

**Business Model**
Different types of subscriptions and selling of learning programs, with a price range from $15 (on some discount conditions) up to $95 per unit. Average bill — $30. For one year of investing (since 2016), "the monthly revenue has increased more than hundredfold. Project’s 5% conversion is leading the market" (Forbes). Revenue: $704,000 in 2015, $1.26M in 2016, $1.9M planned for 2017. Net profit: $89,000 in Q4 2016.

**Audience**
Of all users, the most prevailing group is women 25-45 years old. The company was surprised to discover that 50-year and older users also enjoy the service. The service does have users from Russia and other countries, but all of them are Russian-speaking (Ukraine, Kazakhstan, other CIS countries, immigrants left for the US and Israel).

**Business & Product Development**
Puzzle English’s current priority is reinforcement of positions in Russian market. Development prospects can be obtained from new feasible products that will meet market demands. Goals: personalization of materials, introduction of neural networks, expanding into foreign markets, usability improvements, sales volume increase.
### iSpring

<table>
<thead>
<tr>
<th>Website</th>
<th>Headquarter</th>
<th>Area of Operation</th>
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<tbody>
<tr>
<td>ispring.ru</td>
<td>Yoshkar Ola</td>
<td>E-learning product development</td>
</tr>
</tbody>
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<tr>
<th>Sector</th>
<th>Market</th>
<th>Founded in</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B</td>
<td>Global</td>
<td>2004</td>
<td>100+</td>
</tr>
</tbody>
</table>

**Description**

A set of e-learning services and apps. The main product is iSpring Suite, a digital course editor enabling organization of learning programs based on the customer’s knowledge base (instructions, scripts, records of corporate webinars, etc.). The service allows various formats of learning including online training programs, interactive games, screen casts. There is a pro version for developers, iSpring Suite DX.

The company offers cloud-based iSpring Life enabling management of learning and development of employees or university students; test designer iSpring QuizMaker; iSpring Cloud, a SaaS solution for distribution and storing of learning materials, and thus deploying an independent educational portal; separate tools for digitalization of office documents.

**Customer Base**

40,000+ customers; of them, several thousands are Russia-based.

**Business Model**

Selling licenses for fully packaged products (trial period included), cloud service subscription. For basic operations with learning materials, free versions are provided. Revenue: more than $4.6M in 2016 (+37% from 2015). Russia gives 8-10% sales.

**Experience in Foreign-Market Development**

Shy of 50% customers are based in the US, about 40% in Europe and Asia. The company considers itself an international business.

**Audience**

The company operates in two segments: a) corporate; b) academic.

Renowned customers of group "a": Amazon, Boeing, IBM, Google, Sony, Johnson&Johnson, Prizer, Procter&Gamble, Tesla, Yandex, Sberbank, Alfa Capital; of group "b": Harvard, Oxford, Stanford, MSU, MEPHI, SPSU. Corporate customers prevail in Russian iSpring operation. All the users can be divided into three groups: a) individuals (tutors, teachers); b) learning content generation agencies; c) medium and big companies.

**Business & Product Development**

Company’s first product was a service converting PowerPoint presentations into Flash. In 2007, the company introduced an all-in-one e-learning solution iSpring. From the very beginning, the organization was aimed at international development. Corporate evaluation of iSpring’s share in Russian market comes to 10-15%. Annual average growth in Russian market exceeds its global value and reaches 80-90%. At the moment, iSpring is developing a webinar conduction services and a software environment that will enable users to practice new programs.
Competentum

Website
competentum.ru

Headquarter
Dolgoprudny (near to Moscow)

Area of Operation
Architecting of educational products and content for companies

Sector
B2B

Market
Global + Russia and CIS

Founded in
1993

Headcount
250 in-house employers, 100 outstaffed

Description
E-learning software implementing and supporting, HR process automation solution development. Educational product integration and consulting. Internationally, generation of content for educational institutions. As Evgeny Sandomirsky, Competentum Russia CEO mentioned, “Competentum was initially more developed abroad. We are an international company, and our LMS shows good sales in English-speaking countries including the US. However, prices are formed in quite another way — only time-bound licenses are sold. In Russia, we sometimes offer infinite licenses. This way, it’s always a subscription abroad (online or offline) — it may be a license acquired by the company to install software onto the server. But the agreement is still restrained in time — it goes for 1-3 years.” Content for educational institutions is also a major field of Competentum’s operation, “This market is established and recognized throughout the world, and we are operating there successfully.”

Customer Base
Several hundred long-standing customers in Russia. The number of regular customers in other countries is similar.

Business Model
Individual subscription, provision of the educational platform, subscription-based corporate content, complex integration projects. “A complex project for major companies includes automation of staff performance assessment, learning, installation of LMS, consulting on implementation, content generation, introduction of e-learning in companies where there was a lack of it.” Subscription bill accounts for from 50,000 to 3-5M rubles (from $800 to $48,400-80,600) per year. Complex projects for corporations cost about $320,000. Business growth pace: 40%/year.

Audience
Enterprise, major and medium-big companies.

Business & Product Development
I. Launching a service to automate mastering interfaces and enable to learn inside the software product. Result: staying in the work environment, a user may acquire context-based education without any time waste. Pilot project are already launched in major companies.
II. Creation of AR/VR-assisted products. The initiative is at early stages so far.
WebSoft

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<thead>
<tr>
<th>Website</th>
<th>Headquarter</th>
<th>Area of Operation</th>
</tr>
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<tbody>
<tr>
<td>websoft.ru</td>
<td>Moscow</td>
<td>HR process automation, digital course development program</td>
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</tbody>
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<tr>
<th>Sector</th>
<th>Market</th>
<th>Founded in</th>
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</table>

**Description**

The company has three main products:
- WebTutor — integrate HR process automation system (includes testing, gamification, etc.).
- E-Staff — recruitment automation system allowing for integration with main recruitment portals.
- CourseLab — digital course designer tool. The company is not engaged in creating content, but it can purchase and adapt it for customer needs.

**Customer Base**

More than 1,700 companies. WebTutor is installed in one in three Russian banks.

**Business Model**

Selling WebTutor by modules. Implementation of cloud and in-house solutions.

**Audience**

Major companies with numerous regional subsidiaries.

**Business & Product Development**

To date, WebSoft also offers mobile learning solutions including means for creation of digital courses and adaptive-design learning portals and mobile apps; introduces new modules based on market demand (for instance, Temporary Staff).

The company highlights three trends in the LMS segment:
- focus on continuing education and transformation of LMS from a knowledge storage into an access point;
- development of supervised content;
- enhancement of the adaptive learning value.
For all questions related to the study and cooperation, please contact workgroup coordinators at

editor@edumarket.digital