



Why Gymboree's China strategy is no child's play

As China's star continues to shine, one of the more recent beneficiaries of the country's economic boom is the early childhood development sector.



Take GymChina for instance, the master franchisee for Gymboree, which was founded in the US in 1976. Its CEO **Nick Shiah** says that since bringing the franchise to Shanghai in 2003, it has been riding high on the economic and social changes that have been sweeping across the country.

To date, some 158 Gymboree franchise centres have been set up in China, 112 of which are operational. But even with a market share of 16.1 per cent in China's early education market, Gymboree is steadfastly pressing on.

"We do see huge growth in the future, coupled with the migration of the population into the cities."

He adds that with Chinese parents typically focused on education and that "they will do everything to allow their children to receive the best education possible", the education sector will only continue to register positive growth.

According to a survey report of Chinese parenting methods recently launched by www.babytree.com, a popular Chinese social networking site for mothers-to-be, only between 17 and 19 per cent of parents enrol their children in early childhood development programmes, essentially leaving 80 per cent of the market as yet untouched. In view of this, Shiah says "the potential is enormous".

"For us, it's not about competing with each other; it's about expanding this pie. There's 80 per cent untapped, so why fight within this 20 per cent with each other? So the 80 per cent is the key, not the 20 per cent that we possess; that is our key strategy."

To mine the untapped market, Shiah says GymChina's expansion plans involve going into third-, fourth-, fifth- and even sixth-tier cities in China.

"We're entering already into third-tier cities: some of the smaller cities, with a population of around one million. The challenge of that is, as you know, China

is so diversified; Shanghai and a third-tier city are two worlds apart. So how can you have a business model to fit that diversity? Are you going to have different business models to go into different cities? Can we reduce our initial capital so it becomes a profitable and viable business?”

“We even look at fifth-, sixth-tier cities. How to go into Lhasa, the provincial capital of Tibet, which economically is impossible? But we’re looking at different ways to penetrate that market. So it’s fun, it’s exciting because it provides a lot of challenges for us.”

Shiah sees great potential in the smaller cities, because of the burgeoning middle class. “In fifth-tier cities, you still have white-collar workers - office ladies and moms. It’s just that the difference lies in the income levels compared to Shanghai. And that’s one thing in China that everybody has to adjust to. There is no ‘one size fits all’ in China because of the diversity, because of the variants. How do you tailor-make models to fit fifth-tier cities in general?”

To ensure that consistent teaching and service quality standards are in sync with those of parent company Gymboree in the US, master franchisee GymChina puts its franchisees through a rigorous training programme.

Shiah says GymChina provides 14 kinds of training programmes in three categories: management, business and teaching skills. He hopes the end result produces “an excellent teacher who delivers top quality.”

“For us, we put a high standard on either hardware or training. It takes anywhere from four to nine months to build a centre. And we centralise training (because) at this stage we are not happy with our own results, even though we are already a leader in the market. (But) we want to exceed customer expectations, especially on teaching quality, because at the end of the day it’s the child that receives the benefit.”

Though GymChina is, to all intents and purposes, modelled after the Gymboree curriculum in the US, Shiah says it should not be seen as an American approach. “The approach has been developed by child psychologists; they believe this is the right approach to work with children.”



He admits, however, that getting Chinese parents to understand Gymboree’s trademark Play and Music Programme, has been a challenge. That’s because in China, the Gymboree pupil is a first-generation user, whereas in the US, they are likely to be at least a second-generation user. “They are less mature, they need more information and more education on the benefits of early childhood development,” says Shiah of the typical Chinese parent.

Chinese parents, he adds, also have a difficult time grasping the concept of ‘play’ as advocated by Gymboree, because it is almost the antithesis of the Chinese concept of child development. “It’s fun, it’s less hard; more soft, more child-focused than teacher-focused.” That, Shiah believes, is the wave of the future for a more enlightened China.

“So from ages 0-6, it’s not so much about learning hard knowledge (than) create an interest in learning, rather than force-feed them and they get sick and tired of learning. So traditionally maybe we force our children to learn the piano; in Chinese families, music is very important, especially for girls. For us, we take a different approach - we allow the children first to enjoy the experience of playing the piano. Once they find the interest and enjoy that, you don’t have to push them, they are self-motivated.”

For Shiah, it is his hope that parents come to appreciate the innate differences in their children. “Every child develops at his or her own pace; they have their own strengths, at the same time, their own weakness.”

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