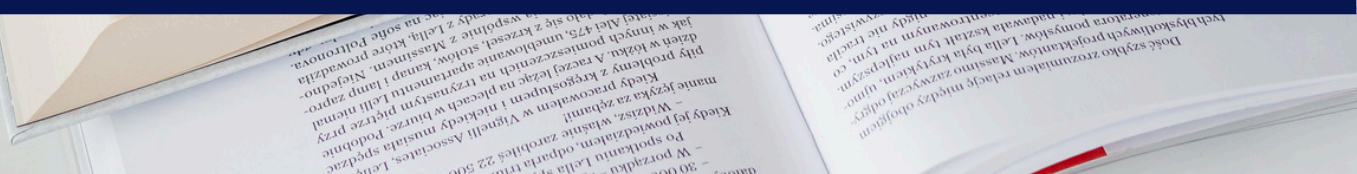




# Old Guard, New World: How Legacy ELT Providers Are Navigating the Rise of Digital Disruptors





## Executive Summary

The English Language Learning (ELL) landscape is undergoing rapid transformation driven by digital-first platforms like Duolingo, Babbel, and Memrise, which offer flexible, personalized, and often free or low-cost alternatives to traditional language learning methods.

Legacy providers such as ETS, Pearson, and the British Council face pressure to adapt their offerings in response to changing learner demands and growing competition from these disruptors.

This whitepaper delves into how legacy English Language Training (ELT) providers and digital disruptors navigate these industry shifts and the strategies they adopt to maintain relevance, quality, and growth.



# Introduction

For decades, legacy providers such as ETS (Educational Testing Service), Pearson, American College Testing (ACT), and the British Council dominated the global ELL market. These organizations built their reputations on delivering standardized tests (e.g., TOEFL, SAT, IELTS, and PTE) and structured educational programs designed to meet the needs of formal education systems and businesses. However, over the past decade, digital disruptors such as Duolingo, Memrise, and Babbel have dramatically changed how learners approach language acquisition.



According to a report from [Meticulous Market Research](#), the global online language learning market is expected to grow at a compound annual growth rate (CAGR) of 20.3% between 2022 and 2029, reaching a value of \$31.8 billion by 2029.

This rapid growth is driven by the increasing availability of mobile devices, on-demand learning apps, and the rise of freemium business models, all of which have attracted millions of learners worldwide.

This whitepaper explores the strategic responses of legacy ELT providers as they face increased competition from digital disruptors and the challenges faced by digital platforms as they strive for sustainable growth. It examines the broader trends shaping the ELL market and offers insights into how companies—both legacy and digital—can position themselves for success in an evolving landscape.





# Disruptions in the ELT Industry

## The Rise of Digital Platforms

Digital disruptors such as Duolingo, Memrise, Babbel, and Busuu are leading the charge in transforming how people learn languages. They have leveraged mobile-first technologies and data-driven algorithms to provide highly accessible, low-cost, and gamified learning experiences. These platforms have democratized language learning and expanded access to millions of users worldwide who may have been unable to afford traditional language education. They represent different models within the digital language learning space—each employing unique strategies such as freemium, subscription-based, and social learning approaches.



With over 500 million users globally, Duolingo offers free, gamified lessons through a mobile app. Its unique "freemium" model allows users to access most of the app's content for free while offering premium features like ad removal and offline access for paid subscribers. In 2016, Duolingo launched the Duolingo English Test (DET), which has rapidly grown in popularity due to its affordability, accessibility, and convenience. This home-based testing solution gained massive traction during the COVID-19 pandemic, when physical test centers were closed, further establishing DET as a convenient alternative.



Known for its paid subscription model, Babbel offers language courses designed by linguistic experts. As of 2023, Babbel had more than 10 million users worldwide, with an annual revenue exceeding \$150 million. Unlike Duolingo's gamified and playful user experience, Babbel positions itself as a more professional alternative to academic English learning, with more structured courses focused on conversational proficiency.



Combining AI with social learning, Busuu connects its 120 million users with native speakers for practice, further enhancing language acquisition. In 2022, Busuu was acquired by Chegg, a digital learning platform, as part of their broader strategy to expand into the language learning market.

## Changing Learner Expectations

Today's language learners prioritize flexibility, accessibility, and personalization. A study by [Business2Community](#) revealed that 76% of students prefer having the option to take online courses post-pandemic, and 64% prefer hybrid models that combine in-person and online learning.

Digital disruptors excel in catering to these needs by offering bite-sized lessons that can be completed on mobile devices, allowing learners to fit language practice into their daily routines.

## The Shift from Certifications to Continuous Learning

The shift in learner preferences from formal certification to skills-based learning is profound. As online platforms focus on improving practical language skills rather than issuing formal certificates, many learners now prioritize conversational fluency and practical knowledge over standardized tests like TOEFL or IELTS. This trend is reflected in the growing popularity of platforms like Lingoda and iTalki, which provide tutor-led lessons that emphasize real-world language use. However, formal certification is still necessary in academic and immigration contexts, which provides an ongoing opportunity for legacy ELT providers to maintain relevance.

# Challenges for ELT Companies

## Legacy Infrastructure

One of legacy providers' most significant challenges is their dependence on traditional infrastructures, such as physical test centers and in-person instruction. These are costly to maintain and inflexible compared to the digital-first solutions offered by disruptors. ETS and the British Council, for example, continue to rely on in-person test centers for their TOEFL and IELTS exams despite growing demand for remote, online assessments.

During the COVID-19 pandemic, the necessity of remote learning and testing accelerated the shift toward digital solutions. ETS quickly adapted by introducing remote proctoring for TOEFL, but this shift highlighted the limitations of legacy infrastructure and the need for continued investment in technology to compete with more agile digital platforms.

## Test-Optional Movement

The rise of the test-optional movement in the U.S. and other parts of the world has created significant disruption for legacy providers. The test-optional policy, which began gaining momentum around 2018 and accelerated during the pandemic in 2020, has resulted in many universities dropping or making optional standardized English proficiency tests for admissions. As of 2023, more than 1,900 U.S. colleges and universities have adopted test-optional or test-free admissions policies, reflecting a significant shift in how institutions assess applicants. This figure represents a substantial increase from previous years, with over 200 colleges adopting test-optional policies since 2020. These policies have become a major disruptor for legacy ELT companies that rely on these tests for revenue.

This shift has undermined the dominance of traditional language proficiency tests, as universities now place more weight on holistic admissions processes or offer alternative ways to assess language skills, such as online interviews or writing samples. For instance, Harvard University, Cornell University, and other prestigious institutions have continued their test-optional policies for several years, reducing the demand for tests like TOEFL and IELTS.

## Pricing Pressures

Digital disruptors often leverage freemium models that offer users free access to basic language learning tools, creating significant pricing pressure on traditional providers that charge premium fees for their services. For example, Duolingo's English Test (DET) costs \$49, compared to traditional tests like IELTS, which can cost upwards of \$200.

Legacy providers such as the British Council, which administers IELTS, face the challenge of justifying these higher fees in a market where learners increasingly seek affordable, flexible, and faster options. To remain competitive, legacy providers have started rethinking their pricing models. IELTS and Linguaskill, for example, have introduced a one-skill retake option, allowing users to retake just one section of the test rather than the entire exam, a move designed to appeal to budget-conscious learners who want more flexibility in their test experience.

## Perception of Relevance

The emphasis on formal certifications, which once defined the ELL industry, diminishes as learners increasingly seek practical, everyday language skills. Recent studies indicate a growing preference for practical language proficiency over formal certification among employers in non-English-speaking countries. Employers are placing more value on the ability to apply language skills effectively in real-world business scenarios, such as conducting meetings, writing reports, and negotiating with international partners, rather than focusing solely on formal certification.

Fewer learners seek formal certification unless required for immigration or academic purposes. As a result, companies like Pearson and ETS must continue evolving to offer products that align with these shifting needs.

### Technology Integration

Legacy ELT providers are struggling to keep pace with the rapid advances in AI, machine learning, and personalized learning technologies. Many of these companies are burdened by older systems and processes that limit their ability to innovate at the speed of disruptors.

For instance, Pearson has begun investing in AI-powered tools, such as AI-driven assessments. Despite this, it continues to lag behind more agile platforms like Memrise, which have utilized AI and data-driven algorithms for years to provide adaptive learning experiences.

## Challenges for Digital Innovators & Disruptors

### Monetization & Sustainability

While many digital disruptors have experienced explosive growth in user numbers, their freemium business models present challenges in monetizing these large user bases. Duolingo, for example, relies heavily on advertising and premium subscriptions, but only a small percentage of users convert to paid accounts. In Q1 2024, Duolingo reported a paying user base of 5.5 million, a fraction of its overall user base. This reliance on ads and premium subscribers to generate revenue raises questions about the long-term sustainability of these platforms.

### Retention & Engagement

Maintaining user engagement over the long term is a common challenge for digital platforms. While gamification strategies such as streaks, leaderboards, and rewards systems can draw users in, they often struggle to keep learners engaged after the initial novelty wears off. Duolingo's daily active users (DAU) versus monthly active users (MAU) ratio—a common measure of engagement—was only 12.5% in 2023, suggesting that many users do not use the platform consistently.

### Quality vs. Quantity

As disruptors scale their user bases, maintaining content quality becomes increasingly challenging. AI-driven platforms often rely on automated processes to generate and evaluate lessons, which can result in superficial learning experiences that may not meet the needs of advanced learners. Platforms like Babbel, which emphasize human-led instruction, have found success in catering to more serious learners. Still, this approach is more resource-intensive and difficult to scale compared to AI-based systems like Duolingo and Memrise.

### Competition from New Entrants

The barriers to entry in the digital learning market are low, allowing for a constant influx of new competitors. Platforms such as Preply, Italki, and Lingoda, which offer live tutoring and small-group classes, provide a different value proposition than fully automated platforms. As a result, disruptors face growing competition from both newer entrants and well-established players in the digital learning space.

# Case Study: Duolingo's Marketing Masterclass

Duolingo's marketing strategy has become a hallmark of successful digital branding, leveraging humor, playfulness, and its beloved mascot, Duo the owl, to engage millions of users worldwide. Below, we examine some key elements of Duolingo's marketing success, including its use of social media, the Duo mascot, community engagement, and its unique brand voice.

## Duo the Owl: The Heart of the Brand

Duolingo's mascot, Duo the owl, plays a central role in the company's branding and marketing. Originally designed to encourage users to complete their lessons, Duo has evolved into a pop culture phenomenon, appearing in everything from memes to brand partnerships. The company's use of the mascot blends gamification with emotional engagement, fostering both commitments to learning and a sense of humor.

## Social Media Mastery

Duolingo's social media strategy is a case study of community engagement and viral marketing. The company has built a robust and loyal following by using humor, staying on top of trends, and engaging directly with users.

**Humor & Memes:** Duolingo often participates in meme culture, using internet humor that appeals to younger audiences. For instance, the company regularly posts comedic content on platforms like TikTok and Twitter, where Duo is often featured in exaggerated situations. Duolingo has positioned its brand as fun and approachable by aligning with humorous internet trends.



**Engagement Through Comments:** Another key element of Duolingo's social media strategy is its playful interaction with users. The brand frequently replies to user comments on Twitter, Instagram, and TikTok with witty, often self-deprecating humor. For example, users may comment, "Duo is coming for me because I missed a lesson," the official Duolingo account might reply with a cheeky, "I'm watching..." This informal and funny interaction style helps to humanize the brand while encouraging users to engage more frequently.

**Responsive to Trends:** Duolingo has a knack for quickly jumping onto viral trends, participating in popular challenges and creating relevant content that resonates with its audience. For example, during the rise of TikTok, Duolingo's TikTok account exploded in popularity, with their humorous and trend-driven videos featuring Duo generating millions of views. The brand uses relatable humor to communicate with its audience in a way that feels authentic and fresh, giving it an edge over more traditional educational platforms.

## Results: Virality & Brand Loyalty

Duolingo's playful and engaging marketing approach has paid off in terms of virality, engagement, and brand loyalty:

- **TikTok Success:** As of September 2024, Duolingo's TikTok account has over 13 million followers, with many of its videos surpassing millions of views. The account blends humor with gentle reminders to stay on track with language learning, further humanizing the brand and making it part of users' daily social media experience.
- **Brand Loyalty:** The combination of humor, interaction, and community engagement has resulted in high user loyalty. According to Duolingo's 2023 Annual Report, its DAU (Daily Active Users) has consistently grown, with millions of users returning daily due to the platform's engaging content and sense of fun.

Duolingo's marketing strategy offers a blueprint for other digital platforms, illustrating how a playful, approachable brand persona and an interactive community can generate widespread appeal, even in traditionally formal spaces like education.

## Strategic Responses by Legacy Companies

### Digital Transformation, Partnerships & Acquisitions

Legacy ELT providers are responding to the disruption by accelerating their digital transformation initiatives. ETS has expanded its remote proctoring capabilities and launched more flexible online test offerings to compete with digital disruptors like Duolingo. Similarly, the British Council has made strides in making both test preparation and test-taking more accessible and flexible. They offer digital platforms that not only provide learners with online resources such as virtual tutoring and adaptive practice tests but also enable students to schedule and take tests online. For example, IELTS Online now allows students to take their test remotely from home, giving them the flexibility to choose the time and location that suits them best.

Many legacy providers have turned to partnerships and acquisitions to build their digital capabilities. ETS's acquisition of PSI, a leader in assessment solutions, reflects its strategy to diversify its offerings by adding more tech-enabled products and services. Similarly, Pearson's acquisition of Mondly in 2022 marked a significant step toward embracing AI and data-driven learning tools. These moves demonstrate that legacy providers recognize the need to evolve beyond traditional models to meet changing learner expectations.

### Localized & Personalized Solutions

Legacy providers are also increasingly focusing on localized and personalized solutions to meet the unique needs of learners in different regions and cultural contexts. Personalization has become a key differentiator, with learners expecting more tailored learning experiences.

Versant Japan, for example, introduced discounted language assessments and offered free retakes for certain skills-based tests to address specific learner needs in the region. Legacy providers can strengthen their foothold in regional markets by localizing content and tailoring services to meet diverse learner expectations.

### Brand Equity

While digital disruptors may have agility on their side, legacy providers still hold significant brand equity and trust among certain learner segments. ETS's TOEFL and GRE tests remain the gold standard for academic and immigration purposes, with ETS benefiting from its long-standing relationships with universities and governments worldwide. Leveraging this brand equity, legacy providers can continue to offer services that appeal to learners who require formal certification and recognition.



# Pathways to Success for Legacy Providers & Digital Disruptors

In today's rapidly evolving English Language Learning (ELL) landscape, success for both legacy providers and digital disruptors hinges on their ability to innovate, adapt, and meet the changing needs of learners. Whether it's embracing new technologies, optimizing pricing strategies, or localizing content for diverse markets, companies that can respond quickly to industry and consumer shifts will thrive.

Below are key strategies for both types of players, along with how Emerging Strategy, a global market intelligence firm with over 20 years of experience in the ELL and EdTech sectors, can help them achieve their goals:

## Digital Transformation & Innovation

For legacy providers, moving beyond traditional classroom and in-person test models is essential to stay competitive. This involves adopting digital tools such as AI-driven learning platforms, mobile-first solutions, and remote testing capabilities. On the other hand, digital disruptors must continue to innovate by refining their platforms, integrating more sophisticated adaptive learning technologies, and maintaining a user-friendly experience.

**How Emerging Strategy Can Help:** We provide data-driven insights that identify the most impactful technologies and emerging trends in EdTech. Whether you're a traditional provider transitioning to digital platforms or a disruptor seeking to expand your features, we guide you through a strategic innovation process tailored to your goals.

## Personalization & Localization

Learners today demand personalized learning experiences that cater to their individual pace and goals. For companies to succeed, they must provide tailored content, particularly for regions with diverse cultural and language needs. Legacy providers need to localize their offerings to compete effectively in emerging markets, while digital disruptors must adapt to various learner preferences across geographies.

**How Emerging Strategy Can Help:** We combine our global reach with local expertise to help clients develop nuanced strategies for different regions. We assist in creating personalized learning journeys that resonate with local learners and guide digital disruptors in adjusting their content to meet local demands.

## Pricing & Monetization Strategies

Pricing remains a major battleground for both legacy providers and disruptors. Disruptors have made inroads with freemium models and low-cost subscription services, while legacy providers often struggle to justify premium pricing for traditional services. Both sides must optimize their pricing strategies to balance accessibility with profitability.

**How Emerging Strategy Can Help:** We assist clients in developing pricing strategies based on deep market research, competitive benchmarking, and user behavior analysis. Whether it's transitioning from a premium model to a hybrid freemium structure or optimizing subscription tiers, we ensure your pricing aligns with customer expectations and market trends.

## Real-Time Competitive Tracking

In a highly competitive landscape, staying one step ahead of the competition is crucial. For both legacy companies and digital disruptors, tracking industry developments, understanding competitor strategies, and responding quickly to market shifts will be key to sustaining success.

**How Emerging Strategy Can Help:** Our Market Radar solution provides real-time updates on industry developments, competitor activities, customer trends, and regulatory changes. This ensures that both legacy providers and disruptors can stay agile, adapt swiftly to market shifts, and leverage opportunities before their competitors.

## Partnerships & Collaborations

For legacy providers, forming strategic partnerships with EdTech firms or acquiring digital capabilities can help accelerate their digital transformation. Meanwhile, digital disruptors can benefit from collaborations with established academic institutions to lend credibility to their credentials and certifications.

**How Emerging Strategy Can Help:** We guide clients through potential partnerships and acquisitions, identifying EdTech companies that complement their growth strategies. We also help digital disruptors explore collaborations with universities and educational institutions to enhance their credibility and market reach.

# The Future Outlook for Legacy ELT Companies & Disruptors

## Opportunities for Growth

Both legacy and digital players have ample opportunities for growth by leveraging new learning trends, expanding into emerging markets, and adopting hybrid learning models. As digital platforms continue to innovate, legacy providers can explore partnerships or collaborations to combine their strengths in formal education with the flexibility and personalization of digital learning.

## Collaboration & Hybrid Models

Partnerships between legacy providers and digital disruptors offer a way forward. For example, combining the credibility of traditional certifications with the accessibility of digital platforms could lead to hybrid learning models that cater to a wide range of learners. Collaboration will be key as the industry shifts toward more integrated learning experiences.

## Tech-Driven Innovation

Advancements in artificial intelligence (AI), machine learning, and data analytics have already begun to transform how people learn and test languages, and this trend will only accelerate. Integrating AI-powered, personalized learning and testing pathways that adapt to individual learners' progress, strengths, and weaknesses could revolutionize how learners engage with language education. These will likely shape the next generation of language learning tools, and both sides will need to invest in these technologies to stay competitive.

## Challenges Ahead

Legacy and digital players will face significant challenges as the ELL industry evolves, from monetization and user retention to balancing content quality with scale. The ability to innovate, adapt, and meet learner expectations will ultimately determine who thrives in this dynamic market.

## Conclusion

The English Language Learning industry is at a pivotal moment of transformation. Legacy providers and digital disruptors are vying for dominance in a rapidly changing landscape where flexibility, technology, and user engagement are key drivers. While legacy players bring decades of experience, credibility, and structure, digital disruptors offer agility, affordability, and personalization. Both face unique challenges but also hold the potential for tremendous growth if they can capitalize on emerging trends, embrace technology, and find new ways to collaborate.

As we look to the future, the real winners in this evolving industry will be the companies that innovate, collaborate, and deliver meaningful learning experiences that meet the diverse and changing needs of learners worldwide. Whether through hybrid learning models, cutting-edge technology, or new market strategies, the ELL market is ripe with opportunities for those willing to take bold steps and rethink traditional boundaries.



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