How Much Should We Spend on Marketing Our Workforce Programs?

http://workforceproject.org/

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Workforce Training Benchmark Project

First year results from The Workforce Training Benchmark Project can help give some insight into how much community colleges spend on promoting their workforce training programs. The Workforce Training Benchmark Project started with a strategic partnership between the National Council for Continuing Education and Training (NCCET) and the National Higher Education Benchmarking Institute (Benchmarking Institute). In 2012 the two organizations joined forces to develop national norms, standardize information and KPIs, and provide workforce training programs comparisons of their effectiveness vis-à-vis other college's non-credit workforce programs.

Workforce programs are under pressure to produce better programs with the expectation that they will break even or make money for the college. The need for data to help make the strategic decisions necessary to improve workforce divisions was the driving force behind this new benchmarking program.

The study collected data from 29 community colleges, from October, 2013 through August, 2014, and the first year's report was available to members in September, 2014. This paper will use the data from the results to answer the question, "How much should we spend on marketing our workforce training programs?"

The study collected data on the following:

- Enrollment Information
- Retention
- Staffing
- Transition from Workforce Training to Credit Coursework
- Revenue
- Expenditures
- Retained Revenue
- Satisfaction
- Institutional Demographics

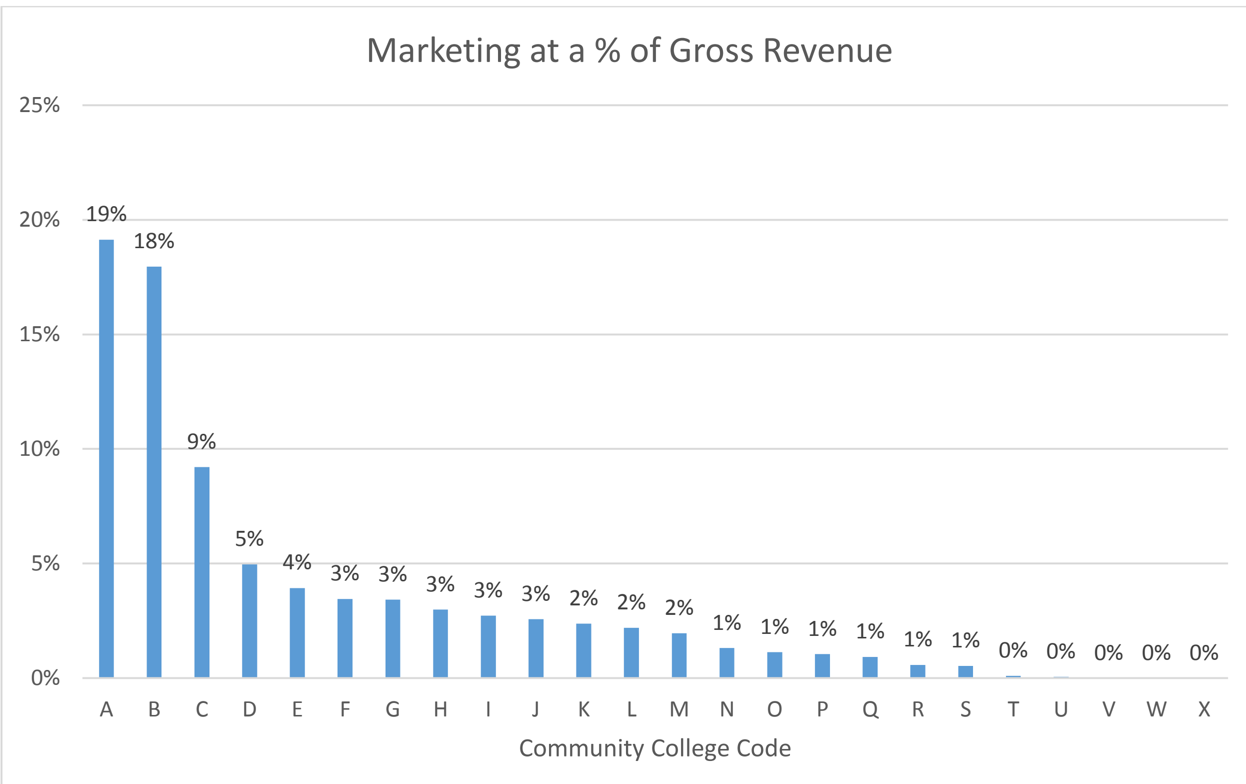
Marketing Costs

The Learning Resource Network (LERN) publishes a financial format based on their 10 years of research on successful programs. The format states that for continuing education programs the promotion costs should be 10-15% of income.[1] For contract training programs, LERN lists promotion costs of 0-5% of income as ideal.

[1] Continuing Education THE ESSENTIALS, 2008 and Certified Program Planner Readings, 2014 Edition

In the Workforce Training Benchmark Project, the income was defined as total gross revenue from all workforce training activities, including both continuing education and contract training programs. The promotion expenditures were called "marketing expenditures" but included the same types of activities and products as LERN included in promotions. However, there is no way to determine if college workforce training programs included all of their marketing or promotion cost when they reported their expenditures.

In the Workforce Training Project, the median spent on marketing was 2% of the gross revenues. This amounted to $41,427. Most of the reported revenues (52%) came from continuing education programs and 48% of the revenues came from contract training. From this we can infer that the community colleges participating in Workforce Training do not spend the LERN recommended levels on marketing. The LERN recommended levels of spending for promotion are designed to help programs become more successful and are reflective of only programs LERN has determined are successful. The Workforce Training Project is measuring actual expenditures of workforce training programs, some of which may be successful and some which may have considerable room for improvement.



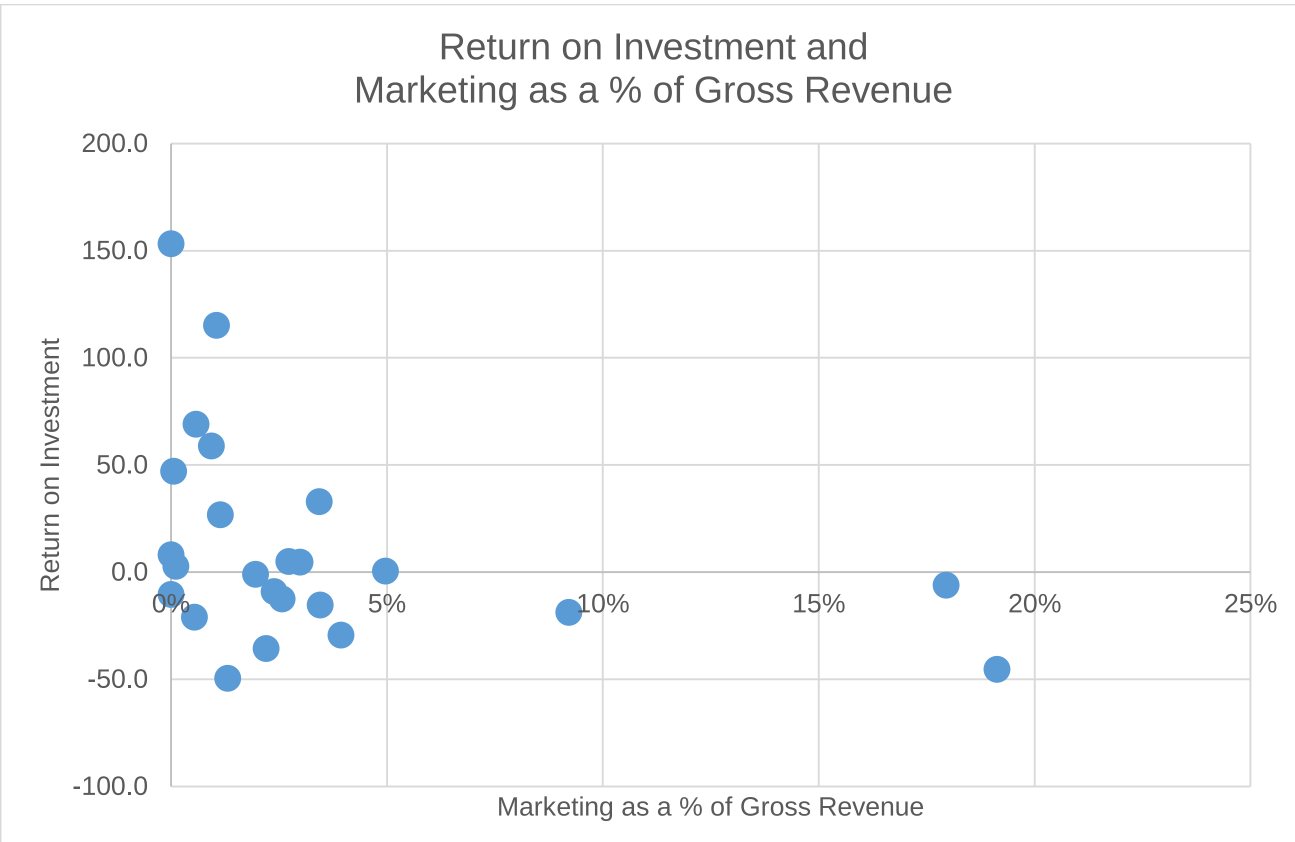
In the Benchmark Project twenty-four of the 29 participating community colleges answered the questions about revenue and marketing spending. Of these, three indicated that they do not spend any money on marketing and two more spent less than 1% of their revenue on marketing.

You can also look at marketing expenditures as a percent of expenditures. In this case community colleges spent a median of 2.2% of their total workforce training expenditures on marketing. Workforce training expenditures included salaries and benefits, supplies, marketing, capital equipment, travel and other expenditures. It excluded institutional or overhead costs.

Marketing and the Success of the Workforce Training Program

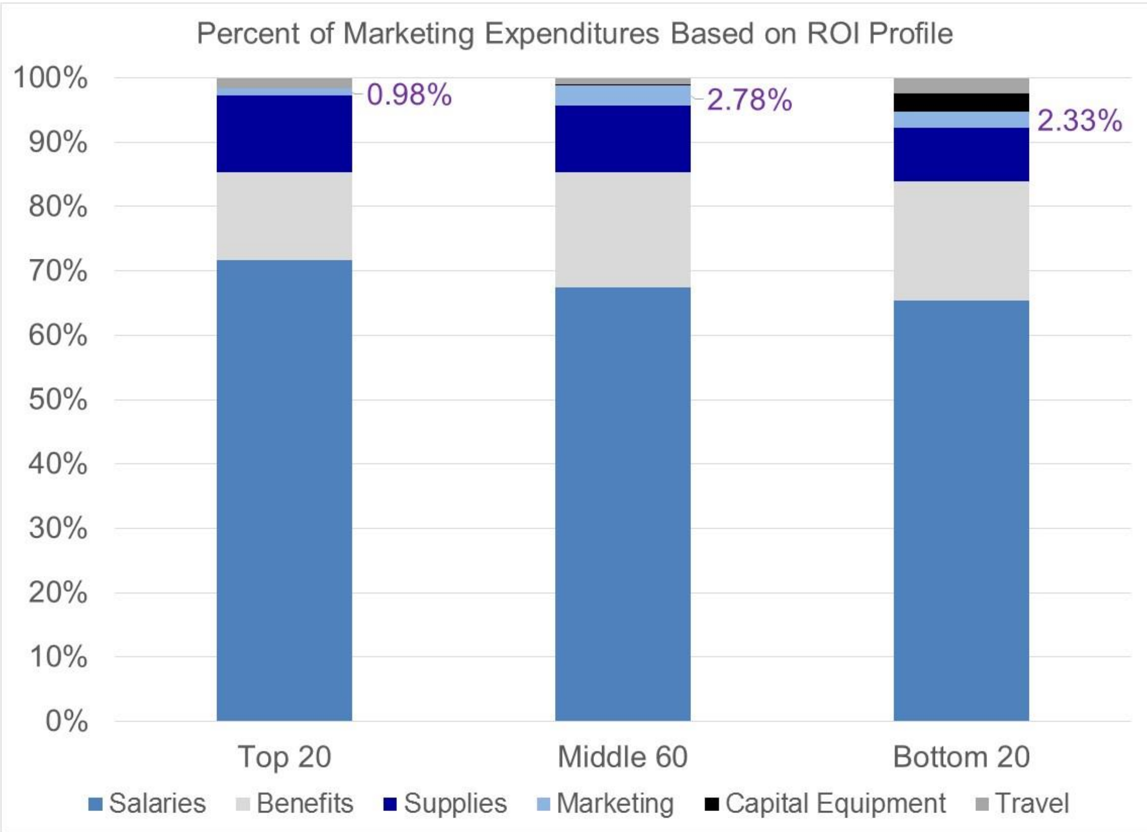
The Workforce Training Benchmark Project data shows that community college workforce training programs do not spend much on marketing. The issue then becomes, “Does spending more on marketing increase the success of a workforce training program?”

To answer this important question you must first determine what metrics or benchmarks can be used to classify a workforce training program as successful. The project includes a calculated measure called “Return on Investment” (ROI). This is one of the key performance indicators that programs use to measure their success. Return on investment is defined as total revenue minus total expenditures divided by total expenditures. So looking at return on investment and marketing costs in concert might show us if marketing expenditures impact the “success” of the program.



There is very little correlation (Pearson) between ROI and marketing as a % of gross revenue (-0.36). It is a negative correlation, which is just the opposite of what would be expected. As seen in the above chart, the four colleges that spent over 5% of their gross revenue on marketing all had a ROI of 0 or less, meaning they did not have any net or surplus income and in most cases lost money.

Taking a different approach by using marketing as a % of expenditures also showed no relationship. The colleges were divided into categories based on their ROI. The first column represents 20% of the participating colleges that have the highest return on investment ratios. The following chart shows that the amount of money spent on marketing does not impact their bottom line – or return on investment.



Conclusions

For the Workforce Training Benchmark Project community colleges, the amount of money spent on marketing did not impact the workforce training program's return on investment. This was true using both % of gross revenue and % of total expenditures as measures of marketing spending.

If marketing expenditures do not contribute to a successful ROI for a workforce training program, what does? The workforce training programs with positive ROIs had higher percentages of their revenue coming from contract training than the programs that had negative ROIs. In addition, the higher the percent of returning organizations in the contract training program, the higher the ROI. The total number of organizations served in the contract training program also had a positive impact on ROI.

This analysis had only a small sample of colleges and needs to be repeated as members are added to the Workforce Training Benchmark Project. There are also other ways to measure the success of a program, for example, the % of returning organizations for contract training programs or student satisfaction measures for continuing education programs, and these could be analyzed to see if marketing expenditures impact them.

Overall, it appears that community colleges are not putting as much emphasis on, or money into marketing of their workforce training programs as the experts suggest is needed. It would be beneficial to have some case studies of specific programs who have increased or decreased their marketing expenditures over time to help determine the impact of the amount spent on marketing and the success of workforce training programs.

Author: Dr. Lou Guthrie, Director, National Higher Education Benchmarking Institute

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