



Four Reasons to Use Course Bounce Rate, Not Rate of Return

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In a previous article, I introduced a new metric to measure the health of a continuing education program, the course bounce rate (CBR)¹. Generally, continuing education and lifelong learning support organizations encourage the use of rate of return (ROR) to benchmark success. In this article, we will consider the differences between the two metrics, and I will present four arguments why you should consider using CBR in lieu of ROR as a key performance indicator (KPI) for your programs.

While some institutions set standards for you to reach with ROR, the purpose of this article is not to develop a standard or suggested value for ROR or CBR. You should *constantly* strive to improve your ROR and CBR—optimizing these KPIs will always result in improving your profits. Instead of trying to set a benchmark, the arguments that follow articulate why you should use CBR instead of ROR as part of your data-driven decision-making process.

Why you might want to use ROR

Provided you can compute an accurate ROR, it is superior to CBR, for one real reason: ROR is the key to computing customer lifetime value (CLV). However, CLV is only as reliable and accurate as your ROR—an elusive metric in our industry. Therefore, dependency on rate of return creates a challenging cyclical problem as you work to gather reliable data.

Because ROR distinguishes between customers who more frequently interact with your programs and take more classes, you can use ROR to compare programs that have the same CBR. As we will discuss below, however, computing ROR for individual programs and other courses brings up a slew of important questions.

CBR is a more natural way to segment customers

CBR and ROR both measure the registration behavior of your customers. The difference lies in the fact that CBR divides the population into two distinct groups: customers who took only one class and customers who took more than one class. On the other hand, ROR measures the number of times a

¹ <http://www.jmhconsulting.com/resources/media/Course-Bounce-Rates.pdf>. A “bounce” means a customer who took one and only one course.



customer repeats. For example, consider the two following scenarios in which we analyze three students:

- Students 1 and 2 took only one class. Student 3 took two classes.
- Students 1 and 2 took only one class. Student 3 took four classes.

In both cases, the CBR is the same, but in the second scenario, the ROR is higher. As a KPI, ROR contains more information than the CBR; however, the simplicity of CBR offers distinct advantages in customer segmentation.

We can safely say that customers who took more than one of your courses (non-bouncers) either:

- Are attempting to complete a certificate program by taking electives²
- Already got the training they were looking for, and thus were already well informed of your listing
- Are already members of your “captive” audience

Whichever category the non-bouncers fit into, they deserve different approaches in the way that you market to and contact them. In particular, in all three of the cases above, you should consider the customer an “elite” or “expert” customer. You already make the differentiation between potential customers and existing customers.

ROR differentiates between different types of non-bouncers, i.e. those who took two courses versus three, three courses versus four, etc. However, ROR does not juxtapose the different frequency of customers: those who took one course, those who took two courses, etc.; hence, ROR does not tell you how many customers are of what type. CBR tells you exactly how many were bouncers and how many were non-bouncers. Thus, CBR naturally divides your customers into two groups with different needs.

CBR is inversely related to ROR

If you can decrease the number of customers who “bounce”, then you automatically increase the number of returning customers. Hence, decreasing the CBR is a way to increase your ROR. Figure 1 demonstrates this relationship. This means that if your goal is to improve your ROR, you can do this by focusing on decreasing the number of customers who bounce.

² This could result in analytics problems later. If you market to customers who already intend on completing a certificate with electives, you may end up attributing what that customer was already going to take to your ROI analysis of marketing efforts, skewing your judgment.



Furthermore, because of the relationship between CBR and ROR, you can easily use CBR to compute a lower bound—best conservative estimate—for ROR. Since CBR is the percentage of customers who bounce, $(1 - \text{CBR})$ is the percentage of customers who repeated. The worst-case scenario is that all of your repeaters repeat only once. In this case, your ROR is exactly $(1 - \text{CBR})$. Hence, it is the lower bound for ROR.

You can use ROR to compute a true ROI for marketing engagements³. Using this best conservative estimate can give you a very safe approximate ROI for decision-making. If you use CBR in this way, you can safely assume that reality is at least as good as the data you use. Thus, because of the relationship between the two metrics, you can use CBR in place of ROR as a KPI.

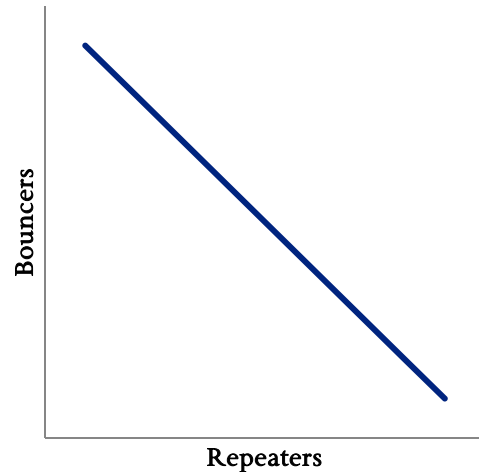


Figure 1. The inverse relationship between CBR and ROR.

CBR is easier to compute

In a previous article, I discussed problems with computing ROR. Despite how important continuing education and lifelong learning industry experts and business experts say ROR is, ROR is a very slippery metric. The approach most business use to compute ROR does not apply in our industry. In fact, it can lead to incorrect assumptions, as explained below. I demonstrate and explain the best model for computing ROR for our industry in the article “Calculating a Realistic Return Rate”⁴.

The typical business approach to computing ROR emerges from businesses that offer either a product a customer comes back to repeatedly or a service that is also repeatable. Our industry, however, lacks this consistency and continuity. Oversimplified, the typical business approach to compute ROR involves adding up the total amount each customer spent last year and comparing it to the amount spent this year. This approach mixes confuses the customer (person) with the number of engagements (invoices). In our industry, the customer who took three classes last year and the customer who took only one are very different. The traditional model for computing ROR does not reflect this difference; thus, the traditional model for computing ROR is insufficient in the continuing education and lifelong learning industry.

³ <http://www.jmhconsulting.com/resources/media/Marketing-ROI-ROR-and-CLV.pdf>

⁴ <http://www.jmhconsulting.com/resources/media/ROI-LVC-and-ROR-Customer%20Defection.pdf>



CBR offers relief here. CBR is much easier to compute than ROR. Computing a reliable ROR involves determining a cut-off date after a registration, analyzing a time-ordered list, and counting individual registrations. For a list of more than 10,000, this can take a computer a long time to compute, not including all of the querying, analysis, and interpretation on your part. CBR, on the other hand, is a simple division of the number of registrants who only took one course by the total number of registrations.

Furthermore, CBR can be computing at different levels with the same ease. You can compute CBR for all of your programs, one program, a collection of courses, or for a single course. Think about ROR. Should you count repeats that cross from professional to personal enrichment courses? Should you count repeats from certificate to non-certificate courses or vice-versa?

CBR is easier to interpret and use

This argument is largely a culmination of facts from the previous ones. The traditional business model for computing ROR mixes customers and invoices into one category. This in itself makes it difficult to interpret what ROR means.

Furthermore, since we can compute CBR for a course without tweaking the calculations, CBR tells you something specific about that course. You can also compute CBR, just as easily, for an instructor. In all cases, CBR always represents the proportion of customers who came and never repeated. Each bounce, whether related to a program, course, or instructor, was a missed opportunity to improve the value of that customer to your organization by encouraging a return. ROR includes information regarding how many times customers returned, thus we could not use ROR in this way.

CBR poignantly provides information about programs, courses, and instructors (as granularly as you like). You can directly affect these things. You can train instructors, and you can revise or re-write course outlines and learning objectives. You can overhaul or supplement programs by changing the offerings. In contrast, ROR includes information about the individual behavior of customers that you can only indirectly influence with marketing. Therefore, for decision-making regarding entities that you have direct control over, CBR trumps ROR.

Conclusions

ROR is superior according to conventional wisdom, but CBR is more a more accessible metric, a more understandable metric, a more usable metric, and can safely replace ROR. Both of them measure similar aspects of your programs, and improving CBR will always improve ROR, CLV, and ROI. Why would you not use this metric, for decision-making?

To learn more about this research project, please contact Jacob Ensign, at jensign@jmhconsulting.com.



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