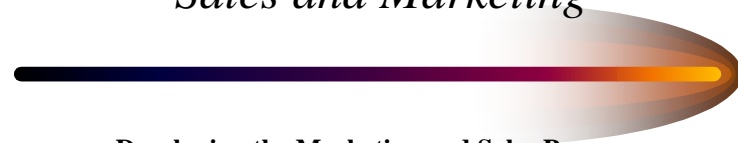


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*The Competitive Environment:
Sales and Marketing*



Developing the Marketing and Sales Program
Positioning the Product in the Marketplace
The Science of “Move-Ins”
The Marketing Plan/The Sales Process

“Nothing happens until someone sells something people want or need.”

Long-term care usually includes both product (living space, meals) and service (health care, assistance with ADLs, etc.) This course has emphasized the importance of service in long-term care, so this module addresses selling services in that environment.

We ordinarily think of marketing as being selling and advertising. The marketing of services, however, is based on the service itself.

Unfortunately, the quality of service in many companies is deteriorating, as evidenced by the button-punching and endless time on hold that has replaced calls answered by a live human being.

Most of us would agree with that statement. Most of us would also reassure ourselves that our company’s service is much better than that. But most companies have the same confidence, normally an unrealistic view of their services’ quality.

The next step, therefore, is to start with the assumption that your company’s service is unsatisfactory then analyze it from the viewpoint of how it can be improved.

NOTES:

Everyone is a Marketer



In most companies, designated employees are responsible for the sales and marketing functions (typically “marketing,” “sales,” or comparably named departments). Service-oriented companies, however, rely on all of their employees to perform these functions. For example, more than half of Japanese companies do not have a marketing department for this reason.

Marketing is not a function of a given department; it is a function of the entire business. Every employee should know that every customer contact is a marketing activity affecting the company’s success.

NOTES:

What We Really Sell



Service providers tend to think that clients are buying their expertise. In most cases, however, the client doesn't have any way of knowing whether the provider is truly expert or not.

Long-term-care residents want their care to be expert—how do they *know* whether it is or not? However, they do know for a fact whether their meals are appetizing, the atmosphere is pleasant, and the staff responsive to their needs. Long-term-care facilities are not selling expertise as much as they are selling the relationship between the staff and resident. The staff must know the *person* before they can satisfy the *client*.

Long-term-care facilities' prospects have three options:


- Entering your facility
- Entering someone else's
- Finding an alternative to entering a facility (such as home health care)

The main competitors are often not your competitors at all, but the prospect. Particularly in the nursing profession, with its often-negative image, prospects may have a bias against the type of facility you offer. Speaking negatively of competition may confirm this bias. Questioning the prospect's ability to manage without your facility is questioning his or her independence or coping skills.

Often, then, the real competition is from the prospect or from the prospect's child/advisor.

NOTES:

*Keeping the Promises/
Meeting the Expectations*



Many marketers or sales staff will often promise the prospect (almost) *anything* to close the sale. Doing so creates an expectation that the company will provide outstanding service—perhaps more so than the company can provide. The result: a disappointed client. Clients may be even more disappointed or angry upon realizing that you misled them.

The unrealistic promises tell clients two things:

- Your company can’t deliver.
- You believed the client is dumb enough not to notice.

How do you measure client satisfaction? It is the difference between what is expected and what is delivered:

- If the quality of service equals or exceeds the promises (and thus the expectations), the client will be satisfied or delighted.
- If it does not, you will have a dissatisfied client on your hands—one who is probably telling others about the negative experience with you.

Therefore, to maintain satisfaction, the service provider must carefully manage the client’s expectations.

NOTES:

Marketing Services vs. Products: The Distinction



Marketers who switch to services from products quickly recognize significant differences between the two. These differences can be placed into four categories. Parasuraman, Zeithaml, and Berry point out that unlike products, services have the following traits:

1. *Intangible*: Services can't be inventoried or patented, are difficult to demonstrate, and pricing can be complicated.

2. *Heterogeneous*: Services change every time they are provided, depending on the provider, client, and circumstances; products are ordinarily identical from one to another.
3. *Simultaneous production and consumption*: Recipients have a direct impact on the service, since they receive it as it is “produced.”
4. *Perishable*: Supply and demand are not as straightforward, and unsatisfactory services cannot be returned or resold.

Those selling services therefore must understand customers' needs and expectations, the issues surrounding delivery, and the need to keep promises to customers (since, unlike products, services are sold before delivery.)

NOTES:

The Traditional Four “Ps”...



Traditional marketing (usually products) has four interactive elements in its marketing plan. These elements—the four “Ps”—are:

1. *Product*: The physical aspects of the product itself.
2. *Place*: Where the product is sold (including logistical matters, such as transportation from the manufacturer and, sometimes, to the client); in our industry, the product is quite important.
3. *Promotion*: The sales and advertising activities the company will use to promote the product.

4. *Price*: The stated price of the product as well as such factors as discounts, terms, and flexibility.

All of these elements also apply to service marketing. Critical differences, however, require additional consideration. For example, we have noted that services are provided on a “real-time” basis, unlike products, which are sold after manufacture. The nature and quality of the service varies among the individual(s) providing it. Finally, costing can be complicated—especially in establishing a unit price for services.

What other factors must be considered in establishing a marketing plan for services?

NOTES:

... *Plus the Three “Ps” of Service*



The four “Ps” also apply to services, but another three are important to service marketing:

1. *People*: The recruiting and training of employees plus education of customers so they are more knowledgeable of the services they receive and why.
2. *Physical evidence*: The overall design and pleasantness of the property plus such aspects as employee dress codes
3. *Process*: The activities and steps needed to provide the service plus the customer’s involvement in the process.

Each of these characteristics is clearly important in seniors’ housing and care. The quality and behavior of the staff is a major—perhaps *the* major—factor in the residents’ satisfaction and therefore the *operation’s* long-term success. Also important is the facility’s atmosphere; is it a pleasant place for the residents? Finally, the process the organization uses to meet residents’ needs must be as effective as possible to maintain the quality of service.

Effective marketing of seniors’ housing and care, therefore, must apply all seven “Ps.”

NOTES:

Marketing Planning: A Statistical Approach



Effective marketing identifies which techniques are most likely to work so resources can be directed appropriately. Many communities have used the “shotgun” approach, using numerous strategies in the expectation that one or more will succeed. However, skilled marketers have found more success with statistical approaches; one such approach used in the seniors’ housing and care industry is the *lead:lease conversion rate analysis*. This approach measures the prospects’ attention to the media type and their perceptions of the facility;

combined with marketing skills, the analysis can determine which factors most affect marketing success.

Calculating the lead:lease conversion rate involves determining the average number of new leads generated by a given marketing strategy in one month. This number is then divided into the number of sales. For example, if newspaper ads produce 100 leads and 5 of these become residents, the lead:lease conversion rate is 5% (a good response.)

The marketer should perform these calculations for each type of marketing used, both formal (advertising) and informal (word of mouth, residents’ recommendations).

The following list identifies sources of leads for a congregate care development. The percentages following the lead are the percentage of total leads and of leases, respectively.

- Direct mail and newsletters (20%—15%)
- Friends or relatives of prospects (18%—35%)
- Special events (20%—15%)
- Yellow Pages listings (11%—13%)
- Newspaper ads (9%—8%)
- Television commercials (6%—6%)
- Drive-bys (6%—5%)
- Professional referrals (3%—6%)
- Miscellaneous, unknown (10%—9%)

Annual Forecasts: Calculating Lead Requirements



Calculating lead requirements requires an estimate of two factors:

- *Annual Unit Sales Forecast:* The number of new sales or vacancies that must be filled in a given time period (we'll say one year)
- *Annual Lead Forecast:* How many leads must be generated to fill those new units or vacancies

Calculation of Annual Unit Sales Forecast

$$\begin{aligned} & \text{Target occupancy, 12/31/02} \\ - & \text{Projected occupancy, 12/31/01} \\ = & \text{Gross unadjusted sales required} \\ + & \text{Projected move-outs during year} \\ - & \text{Outstanding sales pending move-in} \\ + & \text{Projected cancellations} \\ = & \text{TOTAL VACANCIES TO BE FILLED} \end{aligned}$$

Annual Lead Forecast

$$\begin{aligned} & \text{Total annual leads needed (same as total vacancies to} \\ & \text{be filled)} \\ x & \text{Lease:lead conversion rate} \\ = & \text{Gross leads required during year} \\ - & \text{Current active leads} \\ + & \text{Lead deletions} \\ = & \text{NUMBER OF LEADS REQUIRED DURING YEAR} \end{aligned}$$

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Lead Management



Frequency of contact is a major factor in turning a prospect into a resident: too frequent contact becomes bothersome, while infrequent contact suggests a lack of interest and may sabotage the opportunity to close the sale.

The ideal frequency of contact depends largely on the nature of the lead:

- New leads (such as those who send in a response form to a direct-mail ad): Contacted immediately.
- “Hot” lead: Weekly
- “Warm” lead: Three times per month

- Other active lead: Monthly

Contact should generally be split evenly between phone calls and mailings. Inactive leads can be routinely contacted by direct mail.

Even if a facility chooses a different frequency or approach to leads, it must still develop and follow a system that ensures its staff obtain, categorize, and maintain contact with leads in an organized, comprehensive manner. Leaving contact to chance will lose many of prospects who could have become residents and is the main reason why good projects produce poor sales results even though they have people with (at least) average sales skills.

NOTES:

Sales Resources and Expectations



Factors affecting the size of a sales force:

- Size and classification of leads
- Level of urgency
- Frequency of contact desired

To determine the number of sales representatives needed:

1. Average the amount of time required for each activity (phone calls, mailings, etc.)
2. Calculate the number of hours needed per year to work the lead bank

3. Adjust that number to allow for time spent in activities other than sales
4. Divide the number of hours by 1920 to determine the number of representatives required

Another approach is to determine the number of contacts required for each lead per month then divide the required amount of time into 22 days (for example, one hour per lead = 176 leads per month). A similar approach is to calculate number of contacts by week.

Sales representatives should make at least 20 phone calls and 20 mailings per day: 880 contacts in a 22-day month. A reasonable goal is for each sales representative to spend 33 hours/week on direct sales activities.

The time required for closing varies greatly among representatives. Ten hours per prospect is a reasonable average for calculating the time required to close a sale for independent-living prospects.

The Marketing Plan



The marketing plan, a systematic approach to coordinating marketing activities, is a major part of the overall business plan. The marketing plan should anticipate change and reflect anticipated development that may affect the business.

Marketing plans offer the following benefits:

- Providing direction and organization of marketing activities
- Providing a way to measure performance against goals
- Managing the marketing information available to the company

Companies should develop a plan at regular intervals; annual plans are typical. The plan should be updated whenever a major event may change the approach. Such events include a major competitor’s developments, significant changes in government regulations, and evidence that prospects’ expectations are changing.

Developing marketing plans requires five steps:

1. **Market/Situation Analysis:** Gaining basic information about the market and the competition
2. **Marketing Objectives:** Setting specific goals that are consistent with the business’ overall objectives
3. **Strategy Formation:** Identifying markets and how to penetrate them
4. **Implementation:** Coordinating efforts and steps to put the plan into action
5. **Evaluation:** Assessing performance and making any necessary revisions to the plan

Marketing Plan Objectives

Marketing Plan Goals



Marketing plan objectives provide the overall direction for marketing operations. Objectives typically include the following:

- Providing direction for the marketing plan and identifying what the plan is to accomplish
- Motivating staff to meet the marketing plan’s objectives
- Providing a marketing timetable
- Measuring market performance to determine if the company is meeting these objectives

The plan’s objectives lead directly to quantifiable, specific goals; measurements may include any of the following:

- Amount of sales
- Market share
- Prospect visits
- Inquiries
- Awareness of the facility

As it develops these goals, the company should perform detailed market research to learn as much as possible about prospects. Prospect surveys are critical to an understanding of the market.

NOTES:

The Marketing Planning Cycle



As noted earlier, the marketing planning process is an ongoing activity with regularly scheduled (e.g., annual) plans plus modification in response to various events. In reality, the planning process is an ongoing activity involving four steps:

1. Research into the company's own track record, strengths, and weaknesses; competitors; prospects; and other factors
2. Planning that defines assumptions and sets goals, objectives, and strategies

3. Implementation, assigning tasks and quotas, developing sales forecasts, and preparing the sales budget; translating the principles of the marketing plan into a specific action plan
4. Control measures that continually evaluate performance to identify necessary adjustments

Above all, the marketing plan must be practical and useful. It should be reasonably short (fewer than 20 pages), lend itself to identifying specific activities, and provide feedback regarding the company's policies and procedures.

NOTES:

Developing a Marketing Budget:

Basic Principles



The initial marketing budget is based on the following:

- A conservative estimate of how long it will take to achieve stabilization
- The development’s strengths and weaknesses
- Reliance on paid media advertising/cost of advertising in the area.

Some marketing expenses are really fixed capital costs, such as a permanent structure used for marketing while units are being sold or rented. The development can then use the

structure for another purpose once the residential facility is fully occupied.

Some guidelines based on the experience of seniors’ housing and care developers:

- Assume that four residents will move in each month
- Plan to spend \$2000 to \$7000 per unit for marketing (median cost per unit is \$4762).
- Prepare for marketing costs to be higher when the market is slow.

An effective marketing budget will allow for slower than anticipated absorption and other changes that may affect the development’s feasibility.

The following page contains specific information and guidelines.

NOTES:

Developing a Marketing Budget:

Specific Guidelines



Sample budget breakdown:

- On-site marketing staff 25 – 35 %
- Advertising 25 – 35 %
- Marketing company fees 15 – 20 %
- Collateral materials 5 – 10%
- Public relations/
promotional events 5 – 10%
- Miscellaneous 5 – 10%

Factors affecting marketing budget:

- Cost of local advertising
- Amount of competition
- Appropriateness of the facility for the target market
- Need to attract prospects from outside the market area
- Owner or developer’s visibility and credibility

Typical expenditures:

- Model units and furnishings
- Sales office construction
- Sales offices supplies and operations
- Advertising production and creative services
- Signage
- Collateral printing
- Special events and promotions
- Public relations staff or consultants
- Sales staff salaries, benefits, and incentives
- Sales staff training

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*Project Development Costs
by Unit*



Marketing costs typically equal about 3% of the development budget. Marketing costs for a stabilized assisted living project average about 5.5% of total operating expenses or \$1100 per unit.

NOTES:

In 1998, the average development cost for each unit in an assisted living facility was as follows:

Major cost components:

Land cost:	\$ 10,803
Building cost	\$ 74,144
FF&E	\$ 6,698
Marketing costs	\$ <u>4,038</u>

Total development cost by unit: \$119,578