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Decisions, Decisions…
How Seniors *Really* Choose a Residence & What We Should Do About It

presented by
Irving L. Stackpole

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Today's Presentation

- *Purchase Decision*
- *Loyalty Equation*
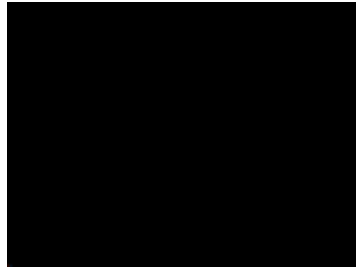- *Applications & Lessons*

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The Marketing Mindset

- Marketing and sales terms
  - Defining markets
  - Marketing vis-à-vis Sales
    - Marketing = Managing the relationships between and among service providers, customers and consumers.
    - Sales = Directly influencing / changing others' behavior
  - Loyalty

Marketing Mindset

- Understanding what the customer / consumer **really** wants, and not what we think (or want to think) she or he wants!

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Marketing Mindset

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Marketing Mindset

- Prospective customers' behavior is predictable
- Selecting the tool or tools to get the best information
- Using the information to adjust / learn / grow

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What the Research Says

- The purchase decision is very different from the loyalty equation
- The markets are fragmented
  - There are many segments
  - Tailor the message and method
  - One size DOES NOT fit all
- Happy customers walk away
  - 12% - 20% defect to other communities
  - Why do they defect, and what do they look for in their re-purchase decision

Market Fragmentation

Model Segments	
Residents	Referral Sources
Advisers / Family	Doctors
Employees	Service Groups – HCCs, CoAs

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Fragmented Markets

- The purchase decision
  - Where and when it occurs: discovery
- Factors
  - Needs spectrum ➜ urgency
  - Values and Life Styles (VALS)
    - Age cohort
  - Product, position and promotions
  - Sales Effectiveness

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Model Segments

- All segment further break down to:
  - Users (Current residents / family members & referral sources)
  - Non-users (prospects)
  - Past users (acceptors)
  - Past users (rejecters)
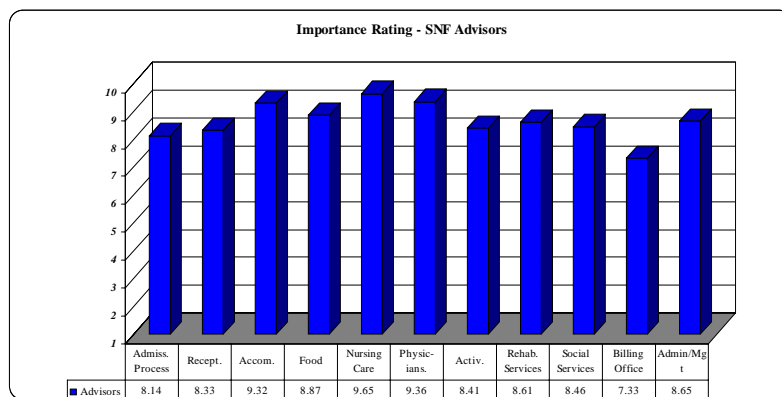 - Demographics
  - Psychographics (VALS)

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Market Fragmentation

- How can we make this complexity clear and actionable?
- How do we determine, for example, what attributes are more / less important?
  - Research tools
    - Ask directly, "How important is…?"
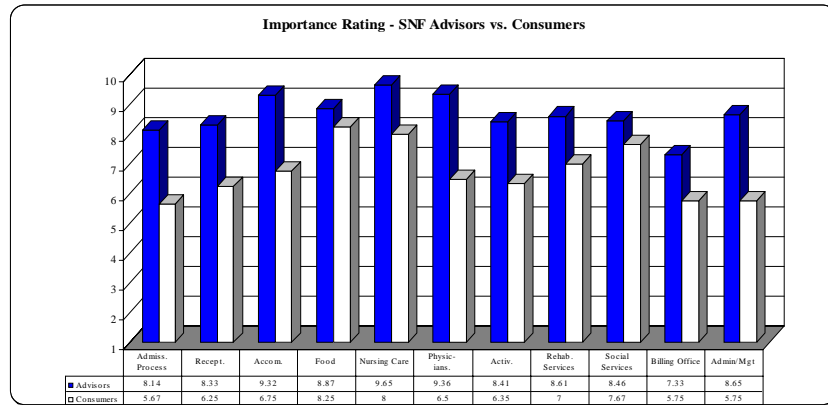   - Use a rating scale, I.e., 1 – 5 or 1 – 9 or 10

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The Purchase Decision

Importance Rating - SNF Advisors

	Admiss. Process	Recept.	Accom.	Food	Nursing Care	Physic- ians.	Activ.	Rehab. Services	Social Services	Billing Office	Admin/Mgt
Advisors	8.14	8.33	9.32	8.87	9.65	9.36	8.41	8.61	8.46	7.33	8.65

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The Purchase Decision

Importance Rating - SNF Advisors vs. Consumers

	Admiss. Process	Recept.	Accom.	Food	Nursing Care	Physic- ians.	Activ.	Rehab. Services	Social Services	Billing Office	Admin/Mgt
Advisors	8.14	8.33	9.32	8.87	9.65	9.36	8.41	8.61	8.46	7.33	8.65
Consumers	5.67	6.25	6.75	8.25	8	6.5	6.35	7	7.67	5.75	5.75

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The Purchase Decision

- Direct ratings of importance can be "monotonic"
  - How do we tell the difference between and among attributes when so many are VIP?
  - What is the real rank order of importance?
  - Rank order is very risky through direct measurement

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What Is Conjoint Analysis?

- A research technique that determines the combination of attributes a service must have to appeal to a specific market or market segment.

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What is Conjoint Analysis?

- Used to design and price new services, plan changes to existing services, identify features for promotion that are of special interest to customers / consumers and anticipate the likely impact of competitive moves and responses.

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What Is Conjoint Analysis?

- Conjoint determines the trade-offs decision-makers are willing to make among features and uses this information to estimate choice behavior.

What is Conjoint Analysis?

Residence / Community is a set of attributes. As an example, for Independent Living (IL) the set might be:

- APARTMENT SIZE
- DINING SERVICE
- LOCATION
- PRICE
  - *Depending on design, conjoint can include 6 – 15 attributes, each with 2 – 4 "levels"*

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What is Conjoint Analysis?

Each attribute is then broken down into "levels." In the IL example, these might be:

APARTMENT SIZE

- Small (___ sq. ft.)
- Medium (___ sq. ft.)
- Large (___ sq. ft.)

LOCATION
- Urban
- Suburban
- Rural

DINING SERVICE
- Cafeteria style, 1x / day
- Restaurant style, 1x / day
- Four-star restaurant style 3x / day

PRICE
- $1850 / mo.
- $ 2250 / mo.
- $2650 / mo.
- $3250 / mo.

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Conjoint – Trade Off Analysis

Which do you prefer?		
Moderate sized apartment with small kitchen, in rural setting, with full AL services for $2,250 / mo	**Or**	Large sized apartment with big kitchen, in suburban setting with limited personal care services for $2,850 / mo
Strongly Prefer Left	**Equal**	**Strongly Prefer Right**
1 2 3 4	5	6 7 8 9 10

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Conjoint – Trade Off Analysis

- Results
  - Know what is important in rank order among each segment
  - Know how to configure your product to gain greatest preference share
  - Have a tool to respond to competitive moves

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Results – Rank Order Importance

Assisted Living		
	Prospects	**Current**
Consumers	· Apartment · Price · Location · Food & Dining	· Food & Dining · Staff · Price · Health & Wellness
Advisors	· Health & Wellness · Price · Food & Dining · Apartment · Location	· Health & Wellness · Food & Dining · Supervision & Management · Price

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Results – Rank Order Importance

Independent Living		
	Current	**Prospects**
Consumers	· Food & Dining · Price · Supervision & Management · Staff · Apartment	· Apartment · Location · Price · Food & Dining · Health & Wellness
Advisors	· Food & Dining · Supervision & Management · Health & Wellness · Price	· Location · Health & Wellness · Price

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Conjoint – Trade-Off Analysis

- Why it is important to **really** know what's important:
  - Target communications to particular segments, emphasizing the most important attributes / levels
    - ↑ leads, ↓ cost per leads
  - Increase sales effectiveness
    - ↑ conversion rate, ↓ turnover

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Conjoint – Trade Off Analysis

- Know how to configure your product
  - What are prospects willing to trade-off?
  - ⬇ Housekeeping routine frequency for "special" annual cleaning?
  - ⬆ Dining level for ⬆ price?

Conjoint – Trade Off Analysis

- Respond effectively to competitive moves
  - What is your most effective response if competitor adds "AL services"?
  - How should you respond when a new competitor opens?
  - What can / should you do when a competitor lowers her prices?

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Conjoint – Trade Off Analysis

- Conjoint produces a "simulator" that allows modeling
  - Predict ⬆ and ⬇ in preference share
  - Add "what if" scenarios for months afterward
  - Simulator Sample

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Simulator

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The Loyalty Equation

- Consumer Satisfaction Rates are High
            But
- Turnover Rates Are High
        Why?
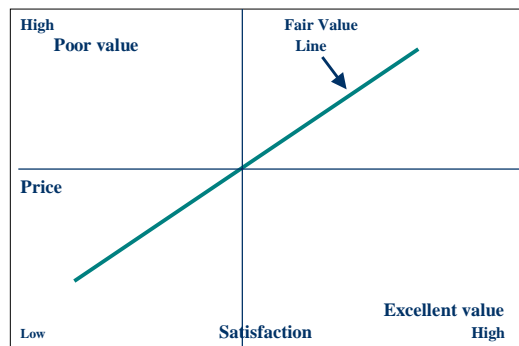   Contribution of **Value**
Value exists in the realm of "fairness"
    Is this a fair price for this service?

Happy Customers Walk Away

High	Fair Value
Poor value	Line
Price	
	Excellent value
Low	Satisfaction	High

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Slide 1

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Value Map – AL Advisors

Food & Dining

Security

Transportation   Staff

Apartment

Health & Wellness

Importance

Housekeeping

Activities

Maint. & Grounds

Satisfaction

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Slide 2
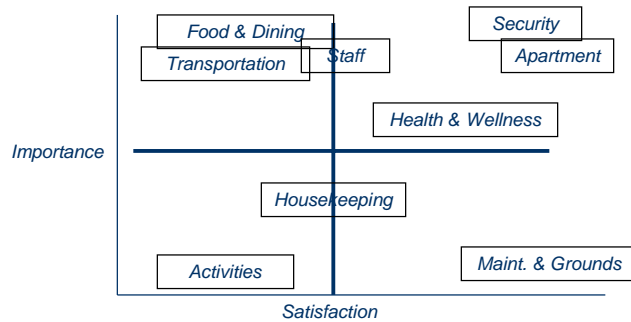
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Happy Customers Walk Away

- Perceived value drives loyalty
- Value, satisfaction and importance
- Value exists in context
  - Relationships among price and other attributes
  - Interactions among all attributes
  - Consumer market compares alternatives

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Happy Customers Walk Away

Service Area	Importance	Ours	Average of Alternatives	Ratio	Import X Ratio
Food & Dining	18	6.88	7.00	.98	17.69
Staff	16	7.00	8.26	.85	13.56
Price	15	7.95	7.65	1.04	15.59
Health & Wellness	13	7.52	8.30	.91	11.78
Location	10	9.50	8.20	1.16	11.59
Apartment	8	8.40	8.80	.95	7.64
Housekeeping	5	7.90	7.74	1.02	5.10
Maintenance	5	9.30	8.60	1.08	5.41
Amenities	4	6.70	8.80	.76	3.05
Transportation	4	8.00	8.60	.93	3.72
Activities	2	6.25	8.25	.76	1.52
Reception	0	9.06	7.30	1.24	0.00
	100			.97	

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Conclusions

- Prospective customers' behavior is predictable
- Importance is important.
  - Asking directly is good
  - Using conjoint - trade off design is better
- Loyalty occurs in the context of value
- Use results to adjust / learn / grow

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On to next presentation

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