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

presented by
Irving L. Stackpole

Today’s Presentation

- Purchase Decision
- Loyalty Equation
- Applications & Lessons
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!
Marketing Mindset

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

<table>
<thead>
<tr>
<th>Model Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents</td>
</tr>
<tr>
<td>Advisers / Family</td>
</tr>
<tr>
<td>Employees</td>
</tr>
</tbody>
</table>

Stackpole & Associates, Inc.

Stackpole & Associates, Inc.

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

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)
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

The Purchase Decision

<table>
<thead>
<tr>
<th>Importance Rating - SNF Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admis. Proces</td>
</tr>
<tr>
<td>----------------</td>
</tr>
</tbody>
</table>
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
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.

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.
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”
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.

Conjoint – Trade Off Analysis

Which do you prefer?

<table>
<thead>
<tr>
<th>Moderate sized apartment with small kitchen, in rural setting, with full AL services for $2,250 / mo</th>
<th>Or</th>
<th>Large sized apartment with big kitchen, in suburban setting with limited personal care services for $2,850 / mo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Prefer Left</td>
<td>Equal</td>
<td>Strongly Prefer Right</td>
</tr>
</tbody>
</table>

1 2 3 4 5 6 7 8 9 10
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

Results – Rank Order Importance

<table>
<thead>
<tr>
<th>Assisted Living</th>
<th>Prospects</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>Apartment</td>
<td>Food &amp; Dining</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>Staff</td>
</tr>
<tr>
<td></td>
<td>Location</td>
<td>Price</td>
</tr>
<tr>
<td></td>
<td>Food &amp; Dining</td>
<td>Health &amp; Wellness</td>
</tr>
<tr>
<td>Advisors</td>
<td>Health &amp; Wellness</td>
<td>Food &amp; Dining</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>Food &amp; Dining</td>
</tr>
<tr>
<td></td>
<td>Apartment</td>
<td>Supervision &amp; Management</td>
</tr>
<tr>
<td></td>
<td>Location</td>
<td>Price</td>
</tr>
</tbody>
</table>

Stackpole & Associates, Inc.
Results – Rank Order Importance

Independent Living

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Prospects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>Food &amp; Dining</td>
<td>Apartment</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>Location</td>
</tr>
<tr>
<td></td>
<td>Supervision &amp; Management</td>
<td>Price</td>
</tr>
<tr>
<td></td>
<td>Staff</td>
<td>Food &amp; Dining</td>
</tr>
<tr>
<td></td>
<td>Apartment</td>
<td>Health &amp; Wellness</td>
</tr>
<tr>
<td>Advisors</td>
<td>Food &amp; Dining</td>
<td>Location</td>
</tr>
<tr>
<td></td>
<td>Supervision &amp; Management</td>
<td>Health &amp; Wellness</td>
</tr>
<tr>
<td></td>
<td>Health &amp; Wellness</td>
<td>Price</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td></td>
</tr>
</tbody>
</table>

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
Conjoint – Trade Off Analysis

- Know how to configure your product
  - What are prospects willing to trade-off?
  - Down Housekeeping routine frequency for “special” annual cleaning?
  - Up Dining level for Up 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?
Conjoint – Trade Off Analysis

- Conjoint produces a “simulator” that allows modeling
  - Predict up and down in preference share
  - Add “what if” scenarios for months afterward
  - Simulator Sample
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

<table>
<thead>
<tr>
<th>Price</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

Stackpole & Associates, Inc.
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
### Happy Customers Walk Away

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

Total: 100 | 9.7 |

### 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
On to next presentation