CORNERING THE MARKET:
A Strategic Approach to Driving Occupancy

A Voice to the Silent Generation, Part III
A Morrison Senior Living Market Study
Morrison Senior Living, part of the Compass Group, is dedicated to providing exceptional, high-quality hospitality experiences to senior living communities. Our Atlanta-based company serves approximately 370 senior living clients in 41 states, including some of the largest and most prominent senior living communities in the United States. We partner the right Morrison team with each community’s needs and provide that team with the best people, tools, resources and support to deliver Great People, Great Service and Great Results. Our culture is to serve with sincerity, care and quality to focus on continuous innovation and improvement.

This report is the third in a comprehensive and sustained effort to assist our partners in their journey to strategically anticipate, prepare for and meet the challenges of the senior living industry.

Dear Reader,

Transformation is not a single path to a simple destination; it is a carefully planned journey with many possible routes and waypoints. Every successful trip begins with research, planning and a good map, and Morrison has been a pioneer in helping senior living community leaders navigate the evolving needs of the senior living industry, while also anticipating what lies ahead and adapting to any detours along the way.

In 2006, Morrison Senior Living published “A Voice to The Silent Generation,” a groundbreaking report based on in-depth research of the generational shift occurring within continuing care retirement communities. This first report offered a portrait of the Silent Generation, and explored how their needs and expectations—based on their unique experiences, attitudes and lifestyles—would be vastly different from those of the GI Generation before them. In retirement, the Silent Generation plans to enjoy their best years, not their last. They want choice, they want control and they want to live life fully, on their terms. From our research, it was clear that to appeal to, attract and satisfy new residents, the retirement community model would have to change.

After the first Morrison Senior Living report, a series of workshops and conversations with community leaders led to our second report, “Transforming Retirement Communities for the Next Generation.” That 2008 publication offered additional insight into the changing face of elders who were transitioning (or considering transitioning) to senior living communities, and it gave industry leaders a roadmap to respond to those changes with key choices to appeal to prospective residents. We identified the Six Essential Elements of Transformation within the continuing care retirement community model to help community leaders prepare for and respond to the needs of the Silent Generation.

In 2012, many in the Silent Generation are fully ready to transition to senior living. And while the U.S. housing market and national and global economies have changed significantly since 2008, the expectations of Silent Generation residents remain largely the same. They want vibrant, active and social lives with plenty of flexibility in how, when and where they enjoy their meals and spend their time. So why the delay for some in making the actual transition? Many seniors have seen the value of their homes go down and the uncertainty over the economy go up. Others are held back by fears, attachment to home, or an outdated perception of senior living options.

In our third report, “Cornering the Market: A Strategic Approach to Driving Occupancy,” we again offer research, analysis, insight and strategy for our senior living clients. We want to provide the information, tools and expertise necessary to have informed conversations with prospective residents to help them successfully transition to their lifestyle of choice. Thank you for the opportunity to share this information; we look forward to continuing our journey of helping those within the senior living industry, and individual communities, serve the evolving needs of residents.

Sincerely,

Kevin Svagdis
President, Morrison Senior Living
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Data for this report was gathered from primary and secondary sources. Primary source projects include:

- Survey of 97 directors of marketing of senior residential communities
- Focus groups of prospective residents and new residents of senior living communities; 17 groups were convened and a total of 75 residents and 65 prospective residents participated in communities across the country
- In-depth interviews of community CEOs, VPs and directors of marketing, and consultants in senior living marketing and sales; a total of 29 interviews were conducted

Secondary sources include the National Investment Center, BB&T, Dixon Hughes, Greystone, the U.S. Census Bureau and Morrison resources.

For the past six years, Morrison has been researching and sharing its knowledge of the newest generation coming into retirement living—the Silent Generation resident. “Cornering the Market: A Strategic Approach to Driving Occupancy” focuses on the lifestyle-of-choice element of senior living transformation, and identifies key marketing trends and strategic marketing initiatives to assist the industry in understanding how to better market themselves, stand out from competitors and drive occupancy of the Silent Generation in their communities.
In 2006, Morrison introduced the demographics of this resident and published a detailed portrait of the Silent Generation in a comprehensive report to the industry. “A Voice to The Silent Generation” revealed that those born mostly between 1925 and 1942 would soon become the majority of residents in retirement living, overtaking the GI Generation, or those born between 1901 and 1924. As a group, the Silent Generation is better educated, more affluent and most likely to be a married couple. Most grew up during The Great Depression, which shaped their decisions for career and retirement. They saved and worked hard, and now they are looking to enjoy life. They are active, focused on their health and looking to live late life to the fullest. They are largely price-oriented in purchases, but willing to splurge, and are savvy consumers who show loyalty to brand, reputation and value. They want choice and control in their retirement years. In short, the Silents are independent and want to be a partner in their community, rather than a passive observer. The 2006 report recommended these strategies to serve the Silents:

- Reposition the continuing care retirement community (CCRC) model; instead of a “care” model strategy, communities should consider a lifestyle improvement model strategy
- Go beyond the walls; become a community hub and a destination for information, a place where nonresident Silents get to know the community before they consider residence
- Leverage technology usage; extend the value of the community to Silent residents and even nonresidents by tapping into their familiarity with technology
- Engage the residents; encourage Silent residents to become more involved in community management and strategy
- Become a total wellness community; there is more to wellness than physical fitness—build and sell whole-person wellness throughout the community
- Use a Silent Generation Decision Filter; learn how Silents make life decisions to create a methodology for filtering out programs and services that do not satisfy their needs and wants

In 2008, Morrison followed its initial report with a second publication designed to help the industry understand the implications of the generational shift, and offered key ways to respond. This second phase of research included follow-up focus groups with residents from both the Silent and GI generations, interviews and a forum with community executives, a forum with community marketing directors, online surveys with directors of dining services and response (based on workshops across the nation) from the first study. “Transforming Retirement Communities for the Next Generation” introduced the Six Essential Elements of Transformation:

- Filtered Decisions; align decision making with the values and expectations of Silent Generation residents
- Resident Engagement; involve residents in all aspects of organizational planning, implementation and outreach
- Lifestyle of Choice; effectively position the retirement community lifestyle as preferable to aging in place
- Community Without Walls; become a vibrant component of the greater community’s health, wellness, education and entertainment offerings for seniors
- Wellness Integration; infuse all aspects of community life with physical, social, emotional, intellectual, spiritual and vocational wellness
- Technology Enabled; leverage technology to enable the organization and its residents to thrive
In 2012, we are now looking at a vastly different economic situation domestically and globally, as well as for many seniors personally. Like most Americans, they have experienced decreased values in their homes and investments. Uncertain about the future of the economy, many are in a “wait and see” holding pattern, and many have delayed making the transition to a senior living community. Reports from our partners confirm this pattern, and our clients have asked us to again contribute to industry progress with additional research and findings that can help communities understand how to better attract residents and address seniors’ uncertainties. This latest wave of research helps the industry understand how putting a marketing and transformation strategy into practice can increase a community’s occupancy and improve a community’s marketability by positioning it as a lifestyle destination.

Topics include:

- The challenges facing today’s retirement communities
- Transformation is key to a community’s marketability
- How to better engage residents into senior living communities
- Physical, programmatic and cultural transformations crucial to creating a lifestyle of choice for today’s retirement residents
- Key industry trends driving the occupancy rate down
- Strategic marketing tactics that can better position communities in the marketplace
A significant increase in senior living occupancy is imminent, based on demographics and timing.

• The penetration rate of senior living communities is in the single digits
• The Silent Generation is here—the number of 75- to 85-year-olds increased 5.9 percent from 2000 to 2010; it will increase 20 percent between 2010 to 2020
• Seniors have delayed moving to communities largely because home values have dropped; while seniors postpone selling in hopes that prices will rise, they continue to age and ultimately will have to address healthcare regardless of prices

Many seniors have a negative or outdated perception of “retirement communities” that keeps them from seriously considering senior living communities.

• Many seniors believe senior living communities are filled with sick and debilitated old people who are inactive and who only complain about their health
• Due to the perception of senior living, many marketing directors report that the majority of prospective residents first consider senior living because of health issues
• When elders visit senior living communities, for many the negative perceptions quickly turn into positive perceptions

The decision to transition to a senior living community is filled with emotion; there are many issues seniors must address before choosing a community.

• For most prospective residents the key benefits of senior living are the continuum of care, no maintenance, and safety and security—if the decision hinged only on having an easier lifestyle with a more accommodating environment as seniors age, logic favors choosing a senior living community
• However, before transitioning, seniors’ positive emotions are usually associated with their home in a physical and emotional sense, including the house itself, possessions, friends and social circles, memories and their current way of life
• Many potential residents are afraid of the unknown, of losing independence and control, and of growing old, becoming ill and dying
• Factors that ultimately lead to high degrees of satisfaction among senior living residents—opportunities for personal growth, friendships and community, and more stress-free time—often do not figure prominently during seniors’ decision to move to a community
• For many, if not most seniors, transitioning to senior living is viewed as a “have to” rather than a “want to”
THE COMMUNITIES

THE WEAK LINK
Industry experts say sales counselor expertise is a weak link in community marketing departments; sales counselors are often promoted from other areas and may lack the background and training necessary for their current role. The basics—following up, qualifying, developing relationships and closing—are all areas that can be improved to help increase occupancy.

OPPORTUNITY KNOCKING
Marketing and sales teams often miss opportunities in lead volume.
- Mass communications channels are rarely used; the only communities that do much advertising are those with new construction
- Marketing directors rely heavily on word of mouth and information sessions for leads; less than a third of the directors surveyed rated direct mail, Internet search engine optimization (SEO) and print advertising as “very important” in generating qualified leads

SHOW & TELL
Residents are an essential and effective part of marketing; they are invaluable because prospective residents see them as the best source of accurate and truthful information.
- Some communities have formal resident marketing committees; others manage an informal group of residents, and a few others rely on chance meetings of prospective residents with current residents during community tours
- Residents help by hosting open houses, giving tours, having dinner with prospective residents, showing their apartments, providing opinions on marketing materials, serving as models in ads and sharing their experiences and stories in person and on websites
- A few industry experts tend to limit and closely manage resident participation; one expert worried that residents might distract prospective residents and take up time that could be spent with sales counselors
- Word-of-mouth programs are low-key and most communities believe that those residents who are willing to help will do so on their own; consequently, marketing directors and experts believe incentives have little effect on the volume of word-of-mouth leads

JUST WAIT
Wait lists are widely used and considered very important by most communities, but many experts are dissatisfied with the outcome of using wait lists.
- A few marketing directors who provide facility and dining access to wait list members said their lists are effective; prospects get to know communities and develop relationships, which can help close sales
- However, the nominal cost of joining a wait list seems to encourage a lot of non-serious traffic; some wait list members are called multiple times with no sale

TRIAL SIZE
Trial stays are effective, but active use is limited. A few marketing directors who do use trial stays say the technique is effective in prompting purchases. However, most new residents come from surrounding areas and do not feel the need to have trial stays.

BUT WAIT, THERE’S MORE
Most communities have offered financial incentives—widely considered effective—to mitigate the impact of the recession. Only a quarter have not offered incentives.
- Discounting community entry fees was the most popular offer, at 36 percent; 27 percent offered reimbursements on moving expenses and 21 percent offered discounted monthly fees
- Other incentives include: home buy-out programs, swing loans and refundable plans that reduce the upfront cash needed, but also reduce the backend refund amount
To take advantage of the Silent Generation opportunity that is upon us and grow occupancy in senior living communities, one thing must change: senior housing must become a “want to” mindset for seniors rather than a “have to” mindset. Senior living communities must transform seniors’ perceptions and be embraced as a lifestyle of choice, rather than a last resort. To do this, communities must develop a strategic marketing plan that addresses four key areas:

**Generate Awareness:**
Combat negative stereotypes and share information
- Conduct at least one mass communication campaign per year for the next several years; communities must invest in high-level image and “branding” campaigns to overcome negative images
- Morrison believes the most effective strategy is to acknowledge and address the negative images directly, rather than to simply promote positive images and address the issue passively
- To reduce costs, consider forming a temporary alliance with local senior living competitors to create awareness campaigns
- Include specific calls to action—such as “visit us today,” “call about your trial stay,” or “visit us online”—which are key to increasing lead volume

**Compel Consideration:**
Position senior living as a lifestyle of choice
- Position the circumstances of aging in place against living life in a senior living community by making comparisons; for example, maintenance of home versus expansion of experiences, increasing isolation versus vibrant community, and being tied to the past versus living for the future
- Give elders the facts; studies show that seniors in senior living communities live longer than those who stay home
- Promote resident satisfaction benefits—opportunities for personal growth, friendships, the joy of community, more stress-free time—to infuse the decision process with positive emotion in favor of senior living communities

**Manage Evaluation:**
Elevate sales needs and confront fears
- Evaluate and address sales training needs within community personnel
- Improve the effectiveness and efficiency of lead management
- Acknowledge and address fears; managers and counselors should develop specific, detailed processes to discuss and address: fear of losing independence and control, fear of being around the old and infirm, and fear of the unknown
- Create resident involvement; recruit carefully and develop marketing committees with resident members; they are preferable to relying on prospective residents’ chance encounters with other residents during tours
- Sponsor educational opportunities for seniors to address their fears of aging and death; confronting and accepting these fears may not be a decision prerequisite for all seniors, but it is a barrier for some, and because this is such a sensitive topic, Morrison recommends that communities commission third parties to hold study groups hosted on the campus
- Design a trial-stay program for qualified prospects

Morrison sincerely thanks the seniors, residents, community personnel and industry experts who contributed to this report; it would not be possible without you. A list of participating organizations can be found in the Appendix of the full report.
ACCELERATE PURCHASE:

Segment Prospective Residents and Address Their Buying Habits

All prospective residents are not alike; give them what they need to make the decision to transition to senior living.

- **PLANNERS**
  Fear is not an issue for this group, which sees the need and benefit of living in a senior living community; try to accelerate the process by making it easier for them to downsize, sell and move.

- **PROCRASTINATORS**
  Immerse them in the community experience; procrastinators appreciate the primary benefits of senior communities—continuum of care, maintenance-free lifestyle, safety and security. Fears are holding them back, so trial stays can make a significant difference, especially if the stays are well-planned by choosing the right hosts and a time that coincides with events or activities of their particular interest.

- **CRASHERS**
  These seniors typically arrive because there is no other option and they often go straight to the healthcare unit; they likely never considered senior living as an option and were only considered prospective residents at the urging of their adult children, so the best tactic is to give them factual information and realize you cannot help those who refuse to face reality.
The senior housing market has been slowly improving over the past few years. After reaching a cyclical low of 87.1 percent occupancy rate in Q1-2010, down from the cyclical high of 92.3 percent in Q1-2007, overall occupancy was 88.1 percent as of Q3-2011, according to the National Investment Center (NIC) of Annapolis, Md., which provides data and research on the senior housing industry based on data from the nation’s 100 largest senior housing markets. Continuing care retirement communities fared best among senior housing property types. As of Q2-2010, the occupancy rate was 2 percent above the overall average – 89.7 percent versus 87.7 percent.
Two additional observations:

- The decline in senior housing occupancy rates was widespread. As of Q4-2009, 30 of the top 31 markets had experienced decline; only Las Vegas escaped the slump. The percentage of properties with occupancy rates of 95-100 percent dropped from 54 percent in Q1-2007 to 34 percent in Q4-2009, while the percentage of properties with occupancy rates of 80 percent or less rose from 10 percent to 17 percent.
- Properties with higher occupancy rates experienced higher rent growth than properties with lower occupancy rates. This was demonstrated in Q1-2011 when NIC reported that the overall year-over-year (YOY) rent growth was 0.5 percent, but the same figure for properties below 80 percent occupancy was -1.6 percent.

NIC’s findings are supported by the results of Morrison’s survey of senior living marketing personnel. More respondents report year-over-year increases in the number of prospective residents they are seeing and the number of sales they are recording than respondents who report decreases.
- 45 percent saw an increase in the number of prospective residents versus 36 percent who saw a decrease.
- 44 percent saw an increase in sales versus 24 percent who saw a decrease.

- Note that Morrison’s survey respondents are more likely to be strong communities; 63 percent of survey respondents reported that their community’s current occupancy rate is 90 percent or higher.

At the same time, more than half of senior living marketing respondents report that prospective residents are taking more time to make a decision, versus nearly a quarter who say prospects are taking less time.
- Only 33 percent of respondents report that the average time prospective residents take to decide is less than a year; this is despite the fact that a large majority, 68 percent, visit no more than three communities.
- Decline in home values appears to have the biggest impact on slowing sales; 43 percent of respondents rate “waiting to sell their homes” as an “extremely significant” factor.
Favorable Factors: Boomers & Penetration Rate

While the economy and the real estate market will continue to affect the senior living industry, in the long term several factors favor future growth: the Silent Generation is here, Baby Boomers are coming and there is a relatively low penetration rate.

The number of 75- to 85-year-olds grew 5.9 percent from 2000 to 2010, to 13.9 million people. From 2010 to 2020, that group is expected to grow 20 percent, to 16.9 million people. This is according to data released by the U.S. Census Bureau in 2008.

Estimates for the senior housing sector as a whole and senior living communities in particular vary, sometimes significantly, based on methodologies and definitions. We urge readers who wish to use the following numbers to consult with the original sources.

NIC estimates that more than 20 percent of the 12 million households headed by persons at least 75 years old live in senior housing and care properties.1 BB&T and Dixon Hughes, which both focused on the penetration rates of individual markets, report similar numbers for the average independent living penetration rates across markets. BB&T describes average market penetration rates as between 15 percent and 25 percent; Dixon Hughes suggests an average “gross market penetration rate” of 17 - 26 percent.2

1 http://www.nic.org/research/faqs1.aspx#3
While the BB&T and Dixon Hughes numbers seem to suggest that the NIC number is low, NIC is looking at nationwide numbers while BB&T and Dixon Hughes are averaging penetration figures across individual markets. It is likely that BB&T and Dixon Hughes are focused on geographical areas that have higher industry penetration rates compared to other geographical areas, thereby skewing their figures on the high side.

NIC estimates that 21.7 percent of all available senior housing units on the market are continuing care retirement communities, or CCRCs. That results in an approximately 4.3 percent penetration rate for CCRCs among households headed by persons at least 75 years old.

Greystone, a consulting firm in the senior living industry, assumes that 35 percent of those 75 years and older are income-qualified for CCRCs. Using Ziegler’s estimates for unit supply, they come up with a 6 percent penetration rate for CCRCs.

In both cases, the penetration rates, both in the single-digit range, can be fairly described as “low.”

Industry experts say the biggest challenge facing senior living communities in the next five years is the real estate market.

Many prospective residents count on profits from the sale of their homes to help pay entry fees. The weak housing market is delaying home sales as potential prospects wait for prices to rise; 44 percent of the marketing personnel we surveyed said “waiting to sell their home” is an extremely significant factor in explaining why prospects have not become residents. This was the No. 1 factor, far outpacing “general concerns about the economy,” “lost value in their financial portfolio” and “decided to remain at home.”
These are three phrases that senior living sales counselors hear most often from prospective residents and new residents. The first two are objections; the last is a revelation. For many seniors, they bookend the long, often multiyear journey from initial interest to ultimately becoming a satisfied resident.

The decision to transition to a senior living community is a very emotional one. “A lot of them don’t vocalize it, but I think they know in the back of their minds; they move to a community like this and it is probably going to be the last place they move to,” one marketing director said.

Based on interviews and information from prospective residents, residents, marketers and industry experts, Morrison has developed a model of decision dynamics, including key elements and specific segments of seniors, to help communities better understand and answer the questions of prospective residents. At the heart of these findings is the primary role of emotions, in particular seniors’ fears, and the barriers that delay or prevent people from choosing to live in a senior living community.
"But I’ve got all this stuff."

"I’m not ready yet."

"I wish I had moved here years ago."