

Welcome to Contributor Wednesday on Bridge The Gap network. In this series, you'll hear from thought leaders on a variety of topics, dedicated to inform, educate, and influence the senior living industry.

Hello, and welcome to Bridge The Gap Contributor Wednesday. I'm Christy Cunningham, and it is sales and marketing week again here at Bridge The Gap podcast. Welcome to the second quarter folks! Can you believe that we are almost there? It just seems like it has flown by and like many of you, this has been a really intense first quarter, right? I think we're all feeling it. As I've talked to operators, sales leaders, community teams, and investors across the industry, I'm hearing over and over again, that sense of urgency and that uber-competitiveness to try to get those move-ins and get occupancy back on track, right? We're all feeling that. And one of the very natural things that comes up when things are very competitive in senior living is the use of incentives. And I want to talk about that today because I know that there's mixed feelings about whether or not to incentivize or to not.

There's sort of a spiral that we can get caught up into with incentivizing and offering discounts that we may not want to fall into. When we rewind the clock back to before we were in our crisis of COVID, in many cases, we had underlying issues related to rates and related to the value that we were offering our customers, relative to our competition that were not addressed. So bring on a global pandemic and major challenges to occupancy. All that this time has done is just compound the issue for many communities of not being positioned well in their market and where the pain is in the moment, right? And we have to focus on that urgency that is right in front of us now, and that survival mode that you might be feeling to do whatever it takes to get occupancy moving again. It's so tempting to just be focused on what kinds of incentives do I need to throw out right now to try to get something going to try to get one more move in.

But if we do that, we miss the bigger opportunity to examine what is our overall positioning? What is the price point and value that we're bringing to the market and how does that compare to our competition? And because in some cases, we were already really weak at that examination before, that makes it even more important that we get it right now. The problem in occupancy that we're seeing today is not going to be solved with a couple of really awesome incentives over the next few months. We're just not going to make that amount of movement happen in our occupancy. In this period of time, we're going to have to take some time to dig ourselves out of this occupancy hole. So we're playing a marathon game here to get out of where we are. And in order to do that, we really need to examine our overall positioning as opposed to just continually reaching for deeper and deeper incentives.

So in our conversation today, I'm really excited to point out a couple, actually four, key observations about how things are sometimes done in senior living as it pertains to setting rates and assessing the value. And also the quote on quote, selling of the value that is championed in senior living. And I want to point out four key observations that really keep us from getting to where we need to be and offer some solutions about how we might go about it differently and why that's so important to do especially right now. So let's dive in. All right.

So the four key observations really all align to one common thing. We're not great at maintaining accurate assessments of our value proposition, right? We don't maintain accurate assessments of our

value proposition. And there are four reasons that I can see that we can become more aware of to improve this. So the first is sometimes we're just blind. We're just blind to our areas of weakness, right?

So senior living is a proud industry. We are very proud people. We're passionate about what we do. And in many cases, when we work for organizations, we buy in wholeheartedly to the brand and the story that they're telling. We drink the Kool-Aid. And when that happens, we stop looking sometimes critically at ourselves. And sometimes it's just not even really acceptable to do so. Questioning how great and awesome we are, might lead to us being ostracized in certain cultures, because hey, if you don't believe it, then how's our customer going to believe it, right? So questioning that brand story of how we're better and different and maybe saying, gosh, you know, that isn't all that different actually than our competition, can sometimes not be very acceptable. And because we drink our own Kool-Aid, we don't see it.

We truly think that we are the better and different option for our customers. We can be blind because we are looking for it. Sometimes our teams are just not looking at the value proposition. They're focused on what's our pricing, or what's our year-over-year increasing in rate look like, and they're just not really caring very much about that value that we're providing the customer. And, you know, from the customer's perspective, they often see very little difference between us and our competition. When you ask our customers, they have a hard time keeping us all straight. When they're doing research, they're trying to figure out all of our pricing and why it's so different. And here's a challenge for you. I challenge you to go pluck three to five, competitive websites out of any market across the country.

Strip out the brand name or any reference to a specific community and then take a look at what's left. I'd be willing to bet that they all really sound and look the same. That without the name, they're not that different. And that's what our customers are experiencing, right? But we tell ourselves that we're different in some cases. And we believe our own sayings. We believe our own brand stories, and that can keep us really blind to taking a good hard look at what value we're bringing to our customers at the price that we're set at. And recognizing the areas where maybe we're not offering something that's competitively, all that different, or if it is different, it might not really be valuable to the customer. So we may think it's super special and awesome, but if they don't, they're the only ones that matter. Right?

So being blind to the issue is one key observation that we need to examine. So how do we fix that? Well, we fix it by taking a good, hard look in the mirror and asking ourselves, have we drank the Kool-Aid of our own story to a degree that we do not see our own vulnerabilities? To the degree that we do not see our opportunities to deliver more value to our customers. Take a look at yourself in the mirror. Are you seeing things from the way that your customer sees things? When you're looking at your competitor competition compared to you, are you looking at it from the point of view as the adult child or resident or spouse who's doing this research, or are you thinking in terms of the professional that you are and the questions you know how to ask?

The first step to fixing that it's just the awareness of how are you coming at this and are you eyes wide open with what those opportunities are? And recognizing that if you have folks on your team that are squeaking about your value proposition, try to be aware that you may want to listen to them. You may have a blind spot that you don't see or understand because maybe you've been working for your organization for a long time, or maybe you aren't as in touch with the competition as you think you are,

or the customer, as you think you are. And there's opportunity for you to open your eyes and really hear that other perspective. So that blindness is one pitfall that really keeps us from seeing this accurately.

The second is this focus on rate. In the value proposition, there are two parts. One is the perceived value of what you're offering and at the price point that you're offering it. Those are the two main components. I know I'm simplifying it, but that's that. When you're only focused on one of those things, when you're only focused on the rate part, you aren't seeing the full picture. And guys, this happens a lot actually where, you know, our finance teams, our operation teams, the discussions that we're having year over year about our rates really revolve around a dollar amount and not about that overall value proposition that we're making to the customer. So pushing rates says that you might be having a discussion every year where it's kind of negotiation of how high do you think my rates can go? How much can this building tolerate? And you're really only talking about it in terms of dollar and cents.

Some of you may not even have the luxury of being involved in that discussion. You may just get handed a piece of paper at the end of the year with a flat increase. And that's the rate that you have to sell. Maybe there is no discussion. It's just decided in a corporate office somewhere, right? Those are flags, red flags, that we're overly preoccupied with just the number, and we're not holding onto that overall value proposition. And the danger of that is that over time, it is unsustainable. That over time you can just do these flat-rate increases and not have to mess with the value proposition. It just doesn't make any sense, especially in the competitive markets and conditions that we've been operating in for several years now, right. And new competition coming into markets.

So when you take the eye off of that full picture, you really run the risk that your rates outpace your value proposition, and it can sneak up on you guys. Especially for communities that have been around a while. You kind of take it for granted that you've maybe been able to push rate to a certain point. And then when it starts to break down, that can be hard to accept that there's a problem with the value proposition. Instead, we might want to blame other things like sales or marketing, or short-term incentive that somebody is offering, and that's dangerous. So what do we do? This is an opportunity for ops partners to tune into the fact that rates are just one piece of the equation. It's about the value proposition. It's about the rate and the value. So how can you partner with your sales teams and sales leaders?

How can you partner with your ops teams to be having broader discussions about the value that you're delivering at your price point? I have a client that I'm working with and their entire premise of their business model in senior living was to create a community that was highly amenitized, offered a ton of services and really great features to residents, beautiful, big everything, at the most affordable price point possible. They didn't skimp on talent. They're not skimping on quality in anything that's tangible. And what's crazy is that when I walked into this building and I started working with this client, I was absolutely blown away by how refreshing that was to think about an operator intentionally saying, "how can we deliver the maximum amount of value to our customers at a price point that is \$500 to a thousand dollars less than the nearest competition." Whoosh, drop the mic. They get it!

They understand that a winning value proposition is what you need to be successful, right? And that should really be a signal. The fact that that's refreshing and that that's a different approach should be a signal to all of us, that there might be opportunity for us to really think about the overall value

proposition and say, how can we add more value at our current price point. Or maybe our price needs to change at the value that we're able to deliver at, but to make that assessment and to do that in tandem should be the goal really of the ops and the sales teams working together. Now, often in organizations that's happening at a higher level than at the community level. Smaller organizations, that might be discussion that's happening at the community level, but generally, it's happening at the regional and corporate levels.

So you really need that in-depth partnership and for ops to recognize, "Hey, you've got some stake in this too. And we've got to be thinking creatively on the value side of the equation, not just on the rates." The third area of observation and opportunity is the data itself. And I know I'm preaching to the choir here folks, in order to make good decisions about your rates and about your positioning and your overall value proposition, you need to have rate data. And there are two key problems with the data that we are receiving. One is often the timing doesn't align with when we need it. What do I mean by that? I mean that we may be gathering market intelligence over the course of an entire year. But there's generally one key time in the year where we are discussing the rates. The permanent rates.

And that's usually around budgets. Well, what happens when that data, the market intelligence for maybe your buildings or for your organization is trickling in over the course of year, when that timing comes around to actually get down to brass tacks and talk about rate, you don't have comprehensive information. And if you do, you haven't necessarily had time to digest it all. So that leaves us sort of unarmed, if you will, going into the discussions about rate because we don't have all of the data yet. So simple fix there, is really think creatively about how do we try to get our data in line with that timing? How can I make sure as a sales leader and ops leader that I have my competitive intelligence gathered? I've had time to analyze it, to draw some conclusions about the opportunities with our value proposition or opportunities with rate prior to going into those discussions.

Now where this seems sort of obvious I get it guys like, I know that it seems obvious. Yes. You want to have that information. And that looks like a textbook way of doing it, but I've worked for large organizations, small organizations, for-profit organizations, not-for-profit organizations. And there is this tendency, this habit for us to not recognize this misalignment and timing, and it really undermines our ability to make good decisions here. So I point this out because it's totally within our control to do it in a different way, but we just have to recognize that, Oh yeah, you're right Christy. Maybe this could shift around a little bit and maybe I could be more empowered going into those meetings. So that's the first opportunity with our data is just getting the timing right. The second is getting the right information. And I know that this is a challenge. I've talked to many leaders who have struggled to gather the kind of information that they need to actually assess their positioning in a meaningful way. Generally, the mystery shops and the competitive intelligence that's gathered is looking at just an overall spreadsheet checklist, sort of thing, of different features and amenities offered across the market and which check the box, which ones are offered at each competitor. And then there might be a listing of their starting at rates or, you know, whatever kind of fields you've asked for. And it's all delivered in this spreadsheet.

And at a glance that might give you a good high level, yes or no. But unfortunately, it doesn't help you when you're trying to assess your value proposition, because what it tells you is that, yes, everybody has a dining program. But you may not have great in-depth knowledge about what does that program really look like and how might you develop a dining program that delivers more value to the customer and

therefore is more valuable and can demand a higher rate. So I use dining as just one example, obviously, that alone doesn't necessarily mean you get to move through rates, but I'm saying in kind of a broad way, it's that in-depth knowledge of the programs, of what's offered of the proposition that's offered to the customer, that should really be informing, where can we take our positioning to the next level and how can we bring something that truly is different and better than the competition to the market? Where you can't really get there or have meaningful discussions if you don't get the information. So the broader shops and competitive intelligence that we're gathering, just doesn't deliver that in-depth knowledge that we need.

It also generally will deliver the assessment of your sales team. So it gives you that little bit of insight into where they might be strong, where they might have opportunity, and where that quote-on-quote selling value piece might have some opportunity to be improved and support your efforts. So the opportunity there is how do we gather information that's balanced? How do we give information that gives us the deep dive comparison and differentiators between our competition and us so that we can have meaningful discussions. Where we get that pricing detail that we need and where we get the sales feedback. So we can make an accurate judgment of where those opportunities are, you know, is the opportunity really all in this assessment of your sales talent? Or is it a combination of your sales talent, your pricing, or even your value proposition. And often it's a combination of things, but because of the limited data that we get on our competitive intelligence, we end up really focusing on the price and then the feedback we're getting on our sales team, and we just put more pressure on our sales to sell, and that limits us in terms of our solutions and therefore our effectiveness.

So the last and final observation I intentionally saved for last, and that is to talk about our sales teams. Because normally when we talk about rates and value, there's a real rah rah shish kum bah! to this idea of sales needs to sell the value, right? They need to tell our story! Are they making sure people know how we are better and different! There's those almost like cliché sort of pushes on our sales team to say, you need to be selling the value. And if you're not getting move-ins, or if you're not able to get move-ins without rate changes, then you must just not be that good at selling the value. So there's this kind of idea that the salesperson just cries rate. It's like the rates can never be low enough for the sales team that they're always looking to discount. And this trope of the sales team as wanting to like jump into rate changes, and just adding pressure to the sales team is just really normalized in senior living. So what we miss in that stereotype and in that assumption about our sales teams is that when they get squeaky, when they are feeling like something is off in terms of their pricing and the value proposition, there is no real investigation into that. Instead, we dismiss that and we turn it back on them and say, well, you just need to sell better, or you just need to market better and tell our story better.

And that's really dangerous because we miss the opportunities to investigate. Our sales teams are the closest to the customer. The information that they have is gold! No one at the regional and corporate level, even with all the years of experience is going to be that in the know about what our customers are thinking, what they're experiencing with our competition. And we need to listen when there are signals that something is off there. So this creates a real barrier to true strategic thinking. And it becomes something that really prohibits sales leaders who want to be successful from stepping forward and even talking about opportunities on rate or positioning. They don't want to be labeled as inadequate.

They don't want to be on the chopping block of people that you think just can't hack it, or just can't take it. So many of them will avoid bringing things up or they might really not know how to have a more meaningful conversation. So how do we fix this? So a couple of things. Number one is for ops to recognize that when you have a squeaky sales situation, it doesn't always mean that it's the fault of the salesperson. It doesn't always mean that your salesperson isn't good or isn't good enough to move the needle on your occupancy. That's not a guarantee. And that when that squeakiness is happening, it's an opportunity to do a deep dive. Not just in the checklist, but look at the deeper value proposition from the perspective of the customer. So yes, there are salespeople who are squeaky about pricing because they're not equipped in their selling skills, or they don't feel confident enough within themselves in the value that your community is delivering at the price point that it's delivering it.

And that's an opportunity for sales coaching. That's an opportunity for leadership to help that salesperson adapt and get through that impediment. So I'm not saying that that doesn't exist out there. I know that it does. There is also that dynamic where it does feel hard to sell in an environment where maybe your competitors are offering a large amount of discounts. So there is a very real dynamic where our sales team needs help and needs to be equipped with confidence and strategy to overcome those kinds of obstacles. But if you're hearing that big squeak ops, the big takeaway here is that it's a flag of where to investigate and to look at the deeper picture.

Now on the flip side, the opportunity for us in sales is guys, we got to get more data-oriented here. Part of the reason why we fail at really appealing to our ops partners, our finance partners about rate and revenue is that we're not speaking to them in terms of data and dollars. Instead, we're talking about things that are a little more anecdotal or a gut feel, or we're basing our thoughts on what one competitor in the marketplace might do. That's not going to be persuasive enough. And really it shouldn't be. We're running businesses. We've got to make more informed decisions than that. So if you think that there is an opportunity in rate or that there's an opportunity in the value proposition, then we've got to look at how do we prove that? Almost treat it like, okay, you're the scientist, that's your hypothesis, that there might be an issue with rate or with the value proposition.

Well, how do we test that? Where do we go to look for information that might tell us if that's on track and if that's a real viable possibility, or if it's not? And can we stay open and objective enough to accept if that really isn't the problem? So we need to challenge ourselves to do that. And then before we just start presenting the problem and saying, "Oh, our rates are out of hand, our value propositions out of hand." We need to help our partners by coming up with some solutions too. So if it's broke, let's get a little further down the road and think about what kind of ideas do we have about how to fix it, right? So if the value proposition is off, what can we do anything to add more value for our customers? If our prices are off, well, how far off and what do we need to do to make ourselves more competitive in that way? What is the right rate?

So it's about doing the research. It's about being data-minded and speaking in the language that our ops and our finance teams understand, which is data and dollars. But also going further and trying to get started on what some solutions might look like so that you can really open the discussion for a collaborative experience with your teams. So we're in, like we started this whole conversation saying a highly competitive moment, and there is a lot of discounts and incentives and concessions getting thrown around out there. And I'm going to say it again, just like before, that might be for you and your

community or your division or your company, a strategic necessity. But I challenge you! Don't get caught up in the short-sided urgency that we're in right now and miss the opportunity to look more broadly at how you're positioned in your markets and the value that you're ultimately delivering the customer. Because if that needs adjustment, you will never emerge out of this chronic need for incentives. And a year from now, you're going to be angry that you've had to do so much incentivizing. Well, maybe it's because you weren't offering enough value or you weren't open to considering that your rates were completely out of line, in some degree, with the market and what the value proposition you're offering the customer is.

So I hope that this has been helpful to start some discussions, maybe have some meaningful reflections as we go into our second quarter. The great opportunity that we're in guys is that there is so much openness to solutions and ideas. More than at other times, I'm hearing folks all the way up the line through investors that are all ears, they want to know what can we do, where might we find answers to how we can start to gain some traction and get out of this. So even if this conversation about value and rate has struggled in the past, think about how can you approach things differently and have some confidence knowing that there is an openness to this discussion right now that might not have been there a year ago. And this could be an opportunity for you to make meaningful long-lasting change in your organization. So best wishes to you all on this next month and this next quarter.

I'm really interested in hearing your thoughts and your reactions to the observations that I surfaced in today's podcast. So feel free to message me, like, comment, share, get on YouTube. Let me know your thoughts. It's really, really helpful when I hear from you all on how you think I'm doing describing some of these issues and talking about solutions. And certainly, if there's a topic that you really wish someone was talking about out there, please let me know. So thank you for listening to Bridge The Gap podcast. This has been another great episode of Contributor Wednesday, have a great day.

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