

Lucas: Welcome to Bridge the Gap, the senior living podcast with Josh and Lucas. We are here in Atlanta and we are so excited to have Richard Hutchinson, CEO of Discovery on the show today. Welcome Richard.

Richard: Good afternoon guys. Good to be here.

Lucas: Awesome. Awesome. So we tried to connect with you once before and you had to put on your Superman Cape and flew out to go and solve the world's problems. And we just, to our listeners, they have to know, we just had the most robust conversation, but the problem was we didn't have the mics on.

Josh: Why weren't we recording?

Lucas: I know it. I know it. Richardson, excuse me, Richard, you've been in this industry a long time. This is your company has been in the news a lot lately, but one of the things that you said is that this has not been an overnight success. You've been at this a long time and have some really good ideas about the state of the industry, the products that you're putting out into market and how to communicate that and develop a culture around the industry. We want to talk first of all about your background of where did you come from and why did you get into senior living?

Richard: Yeah, that's the easiest part I guess. So I had actually, I had mentioned to you earlier, I grew up in Maine and I went in the military for a long time. And then after the military I got out and I found myself in Florida of all places. And then I ended up with a company called WCI Communities and they had built in the early 90s, this little thing. It was unknown. It was called assisted living down in one of the communities in Sun City Center, Florida. And I was intrigued and with that military background, had the work ethic necessary to kind of convince them that, hey, we could take a run at this. And they, they agreed. And so we started asking care systems back then that was a predecessor to Discovery. And then in the middle 90s we started out building independent and assisted living communities.

And I have to tell you, independent living, nobody knew what that was. Barely anybody knew what assisted living was. But I think this is very germane, we came from at WCI Communities, masterplan developments and they were highly amenitized and so they, with the rich amenities, golf courses and tennis and whatever it is we kind of came from that service background. So it's in our DNA. And since then you know, that's what we've done at Discovery is always try to be true to our DNA while paying some dumb tax. As I had mentioned to you guys, learning the assisted living in the more healthcare aspects of what we do. But it's been, it has not been an overnight success. And, and you know, 25 years later, here we are in our second iteration as a Discovery instead of Asten and we're, you know, 60, 70 grand and 14 States, you know I have 6,000 team members. I talk about every day, I guess, and then almost 10,000 residents. So keeps me a little busy.

Lucas: Incredible. Well one of the things that we've been talking about is a culture change, culture shift, labor, workforce. These are all so important and it's a big topic of conversation that it seems like everybody is batting this around, but very few are actually being able to make that shift. Talk to us about your thoughts on this topic.

Richard: Yeah. Obviously it's very germane right now and, and as we've discussed in the past, I mean, it's sensitive right now because of the labor environment we're in. But it really hasn't changed. This has

been evolving over time. And I think from a cultural standpoint, this industry is at an inflection point on a lot of different things, product, maturation, but also in labor. And so, you know, a lot of the, the folks that run companies here, they live with 38 to 40% turnover of their labor force every year. And yet we don't talk about it enough.

And and I know I had shared this story with you guys before, I think 25 years ago if I had to do a reset on some of the things that, you know, the industry pioneers were really working on, it was educating the labor force that we missed, right? We did a great job on educating the, the financial services firms capital providers into the space did a, I think, a pretty good job on educating the consumer. But we kind of forgot to educate the labor force. And, and that's really, that's really hitting home right now when labor is a little bit scarce and supply grows all of a sudden, that's, that's been pretty challenging. So, so without a doubt, I think it's, it's a very germane topic. It's one in which Discovery talks about every day. And then we try to be different.

We try to meet the labor force where they're most comfortable, rather than just trying to be a dinosaur and saying, hey, come and work. Here's your eight hour shift. Make sure you show up on time, you know, et cetera. You gotta you gotta be a little different. So we're doing 10 hour days of work, four days a week. They get some flex time. They can pick and choose. We have labor pools in which we allow people to kind of move in and out of based on whatever is going on in their life at that time. It takes a lot of work to do that, but that's, that's our labor pool right now.

And then on the management side, it's a little different, right? So we talked about executive directors and, and we've said some things about how we need to learn. We were on a panel this morning, I don't know if you caught the panel, but there was some question about how has sophisticated capital changed our industry? And I thought Brian Beckwith on the panel did a great job saying it's good for the industry. It may feel painful at times, but it's good. And how I tie that into labor is essentially a lot of that sophistication in the financial analysis and the analytics that are now coming into the industry, man, these guys know it, they know it. So they force operators to think that way. And that's a good thing and I think you're going to see that more prevalent as we go forward.

Josh: So one of the things that you were just mentioning is you're embarking on this culture change with being flexible on the labor side of things, how you recruit, how you schedule all those, but have, what have you done from the C-Suite down? Because I know that some of our operators have the challenge of even creating a culture at the leadership level to allow creativity, to allow flexibility. Because I know in our industry we've been successful for a run of 15 or 20 years doing it the same way and just duplicating the system. So you still have, I think a lot of the leadership that's like, hey, I've done it this way always. It works like this. We just got to continue to, to drive home. So what kind of culture have you created? How have you created that culture?

Richard: Well, we've been pretty fortunate because we started out on the more hospitality side, lifestyle side, we've always challenged things. And so for again, consistency of leadership is kind of nice. And so having been there 25 years, everybody knows our culture is to break paradigms. I think we can't be successful as a company and certainly not as an industry in this space if we don't break the way we've been doing it. Because honestly, from a pure macro standpoint, our results aren't any different now than what they were 20 years ago. We just have more people using our product because of demographics.

And so, so we've got to change that. And so we talk about it every day. It needs to be part of your daily conversation that you need to be allowed to fail. You need to be able to have the flexibility in your

culture to allow leaders to do things differently. One of the things we're talking about right now, and I'm talking about a lot, is our experiential living. And part of that experiential living is understanding that it is a mindset that allows you to customize everyone's experience. Well, you can't really do that if you're actually operating on a menu, you know, at 8:00 AM you do this, 9:00 AM to do that. It can't be a customized experience if it's actually, you know-

Josh: -regimented.

Richard: Right, exactly. So, so it's just a mindset we've had. We've had it for a long time. It's really coming into play. We've rode the wave like everybody else. We've grown to 60-something communities, essentially doing a lot of the same things everyone else does. We've always been a little ahead on the design side. And so in 2011, we were building ALs with theaters and all these other things that you know, now is, is pretty much standard. So, but that's, it's more than that now.

I think it's, it's service, it's culture, it's mentality. And that has to be driven at the C-suite level because you're right, a lot of people have been very successful. Just treading water in this industry. And honestly with the demographic wave, you're going to have companies still be successful doing that thing. But I told my senior leadership for a long time, I would rather retire tomorrow than be part of a commodity business.

Josh: Sure.

Richard: You know? And, and then it's just about who is willing to provide it for the lowest price and that that doesn't get me up in the morning. Right. I want to provide a differentiated experience for our consumer and attack that 90-95% depending on whose numbers you believe that you know, isn't even using our services here.

Josh: So you mentioned and I love that, that you give us a history lesson on the pre-NIC, pre-era where, you know, we're kind of spoiled nowadays with all the thought leadership, the opportunities we have to rally together as an industry. But you mentioned we've done a really good job, you believe on educating capital markets, educating the potential consumer that there is something called assisted living out there and that we do exist. But you mentioned the labor force. With any great thing that I think you've done a bad job historically on the, it presents itself a great opportunity. So what are some things that you feel like moving forward our industry as a, as an industry, as a whole, that we can do a better job educating that, that potential labor force and tapping into that group?

Richard: Yeah, for sure. I mean, I, I think everybody needs to be part of that. In fact, you guys are part of that now which a podcast, but certainly every, every operating company and financial platform that is investing in seniors housing needs to get the word out in a meaningful way. And I know NIC is doing some things and Lucas, you're involved in that. But you know, for us, we have internships with universities, but it's more than that. In my mind, what would be great, is if there was a seniors housing certification program management certification program and every hospitality, every hospitality college in the nation and then getting it down into the vernacular of even high school. Right? Understanding, this is an industry that's up and coming.

When I speak to college students, the first thing of course, is they have no idea who this guy is and what he's talking about. And they're picturing nursing homes and of the 70s, you know, bleak and dark and in One Flew Over the Cuckoo's nest type stuff. And that's easily done away with right. And I, I can throw

some photos of, of contemporary communities and so they get that right away, but then they're always amazed at how sophisticated this industry is and then how, how much good we do. So I think we were talking about, Josh, we were talking about how, like, the millennial set wants to have more than just a job. And I applaud that. I think that's wonderful and that's great. And we need to meet them you know, where they want to work and how they want to work. And we're doing that. But at the same time, not many of them know about us and we've got to do more as an industry and we need to focus on this. And, and again, it's a perfect time to talk about it because now at labor shortages across all industries, now we're competing, we're competing really hard and we're finding out the effect of maybe that stumbling early on in the industry's education process where we missed a cohort. Now we're feeling that effect.

Josh: Absolutely. So switching gears over to the consumer side, we had some discussion. I thought you brought up a really interesting point. I think the end of the conversation as you said, you know, many of us, the talking points that we have is how much our people need to hear and be educated about what we can offer them. And you said contrary to that, you think we need them as much as they need us because we need to know what it is, not only that they need, but what they want. So maybe we're trying to force feed some things that, yeah. So talk to us a little bit about your kind of audiology on that.

Richard: Yeah, so it really goes to our experiential model, our experiential living concept that we have. And it comes from the idea that we are providing a certain set, yet our penetration rate really into the senior consumer isn't increasing over the last two decades, not by much. And it's, well, okay, when you step back, sometimes you step back and you can realize the obvious, well, we're not offering a product that the other 90-95% of those, you know, potential consumers want. So what do they want? And so I, I definitely don't like when we say, Hey, you need us, you know, whether it's independent living, assisted living, you know, it, it really, from a pure sales standpoint, consumer standpoint, it needs to be you want us, right? And you want what we're providing and we're willing to spend some money. And I use this term sometimes we're willing to pay a little dumb tax to try to figure that out.

And on the panel this morning I talked about, you know, we listen to our sales staff a lot. You know, they're, they're in the local markets and what I've heard over the last 24 months is we're stale. We're providing what everyone else is providing, we need to be different. And the reason why multifamily folks and and senior apartments and this new product concept is coming up is because the customer is suggesting there is something else, a different way to get the services we're providing that they like more than what we're doing. I'm not suggesting that traditional AL, memory care, independent living is going away. There's consumers there, we've proven it for 20 years. There are consumers there that want that. But there's also consumers that are saying, we want something different. And the challenge for us as an industry, us a company is figuring out what that is and then and then taking advantage of it. And that's what our experiential living concept is all about.

Josh: So throughout your career, you, you've been a visionary. You're willing to take risk, as you say, pay some dumb tax to try to figure out and take some risk on things you are, you've created a culture that listens to your sales team, that creates a conduit and a culture where you're taking feedback. You're asking for feedback. Now everybody's asking the questions. I don't think anybody has it figured out. But what is the, what is the next frontier for you guys at Discovery? What are the things that you're thinking, you know, what, this, we don't know that this is it, but based on the feedback, what we're seeing, this is kind of where we think things are going for us. So what, what does that look like for you?

Richard: Yeah, sure. And I kind of go back to that coin term of ours: Experiential living. I don't like the term active adult because I actually was an active adult, active adult developer. So I know what that product is in my mind. And that's my Sun Cities. It's, it's those type of community up in the villages in Florida. And that's what that active adult means to me. I certainly don't want to say multifamily for seniors because that, that's underselling what we're providing by a lot. And so we, we've come up with the term experiential living. And what it really is, is the recognition of a couple of different things happening. You have customers, and I think our future customers with the boomers over the next 20 years, by the way, they're not our customers today. They will be over the next 20 years. They're, they want customization, they want action optionality. They want choice in what they purchase for services and they want flexibility.

And so when you look at that, you're marrying that with what I think is an incredible opportunity in this industry. And that is data and analytics helping drive some of our business model rather than just kind of the gut feel, experiential type of management style that, that we've had. And so when those two come together, it's a great opportunity. Now I can actually tell through analytics what my margin is on every piece of service, every product we provide our consumer. And so now I can give them optionality and I can do it in a meaningful way. The cool thing about our labor force now, and everyone likes to pick on millennials, but I love them because you're talking about a variable staffing model, which has always been the Holy Grail, right? You just can't find that variable staffing model. Well, with technology we use a, I'm not plugging them, but I'm just saying what we're using is On Shift.

You know, they allow us to get data on our employment. They have apps for example, that we can use that allow people to plug into open shifts and stuff like that. So we can vary how we staff. Well, all of a sudden now the world opens up to us. Now I can price a cheeseburger and, and what it costs me to provide a cheeseburger as a service, somebody. I can, I can price what it costs to walk a dog. If there's dog walking services somebody wants. I can price an individualized and customized experience for our consumer. And if I can price it and I can sell it and I can make money doing it, it's a, it's perfect.

And then I can have a labor force in which actually likes kind of that modulation of hours. Maybe this week I want to do 28 hours instead of 40. Maybe I want to do 60 next week. That probably won't happen as much. But anyway, all of those things marry together and all of a sudden you have a pretty customized experience. So that's the Genesis of our experiential model. I will tell you, experiential living, when I go around, I talk about it, everybody starts thinking about active adult, their version of active adult independent living, that type of thing. But it's more than that for us. It's far more than that. This experiential living should be throughout the entire continuum. And so we actually have several communities right now that have a customized experiential living model in our memory care units. And I can tell you when I talked to family members and they realized dad is a different cat than, you know, this person over there, he had different life experiences and responds differently to different programming and memory care. Why can't you guys do that? And the standard answer over the industry over the time is well, there's a common denominator amongst everybody. And so we're trying to solve for the group.

Josh: Sure.

Richard: Right? And no longer is that necessarily sure. I can provide you a customized experience. Yes, you have to pay for that customized experience, but it could be light, it could be heavy experience and they get to choose. And man, I gotta tell you from a sales standpoint, there's nothing better than having a product for everybody. Right? What you asked for, you have a product for and that feels pretty good.

Josh: Yeah, I love that. Well, you know, it kinda reminds me, Lucas, this may be a terrible analogy, but we were actually laughing about this with one of our team members last night. I stayed over at the W and we're talking about they have this whatever, whenever button. So the W is a nice place, you know, good, good finishes, but it's not like over the-

Richard: -it's a nice vibe.

Lucas: It's got a, it's always a party at seven o'clock in the morning.

Josh: It's actually why stay there. They've got a good culture, but it's not necessarily because they wait on me hand and foot. They actually deliver a fairly affordable compared to where we are here in Buckhead compared to the others. But I'll tell you, it's really cool to know I can push that button, whatever, whenever. And they're going to try their best to meet whatever that need is a big or small. So it's pretty cool. And I almost equate that to your experiential living.

Richard: I might steal that. I might get a Discovery button.

Josh: There you go. Discovery button. I love it.

Richard: Hit the Discovery button.

Josh: Well, something else that you pointed out that I love. So we have a fast and growing audience that is very varied from very large groups like yourself that have gone through the growing pains and paid the dumb taxes to the, the young groups that are just entering and have big ambitions. And I think you start trying to tackle, okay, what is, what, how can we create this experiential living? How can we do that? But you just pointed out something that you've got a partner, you, you know, you, you said, I'm not giving a plug to On Shift, but I think that's a great example that our industry is blessed that a lot of technology platforms are building and taking things that have worked in other industries really well, they're creating an customizing it for us said that we don't have to create everything from scratch and to maybe do some of the things in an affordable fashion without having to create it all from scratch. You know, it's about collaboration, about team building and things like that. So it's refreshing to hear that even at your size and what you guys are doing, that you have some trusted partners out there that are helping you achieve the goals.

Richard: Yeah, for sure. And we have so many, I couldn't possibly name them all, but it is also, let's go back to the, the next generation of workers in our space. I mean, I love when I just sit with the younger folks in our industry and they just come up with ideas that we had just never thought of. Well, it's the same idea. So you can be in our seniors housing space, but not necessarily an operator. We, you know, and not necessarily a financial capital provider. You know, it can be on the technology side. It can be on the design side. We need that next generation of thought to make sure that we evolve this industry, evolve our product to meet our next consumer. I sat on a panel out in California about a month or two ago and and I just looked out at the crowd and there was a lot of young folks out there that were in the industry or, or getting into in the industry or even interested in the industry.

And I was sitting up there, and I'm not going to name their names, but with some of my colleagues that, you know, I've been sitting on panels with for 20 plus years. And I, you know, and I told the audience, look, we're not the future of this industry. You guys are, right? So, you know, get out there and break

paradigms and challenge the status quo, challenge the commodity feel that we might have in some areas, you know. Be bold and they respond well to that. And I think that's what this industry needs. We need to continue to cultivate that. And absolutely. I believe we're at an inflection point. And and I, I like your point sometimes when we've not done things so well there creates great opportunity and I think right now there's a tremendous opportunity in the space.

Josh: I agree. And I'll tell you, you're a perfect example of why Lucas and I came up with the idea of this podcast. We so appreciate you taking time, this life experience, this wealth of, of paying the taxes, figuring things out, getting in the trenches and building a great organization as you have and being transparent enough to say, Hey, you know what? I'm not the future. You're the future. The listeners are the future. We want to share that wealth of information, the mistakes, our successes, our failures, our ideas. We're better together. Right Lucas?

Lucas: Exactly. We hope that you have found this to be an inspiring time. While they're sitting there listening. They're on a plane, a train, an automobile, they're working out, they're walking their dog and they're sitting here listening to the senior living podcast talking about our passions, about moving this industry forward. Let's raise the bar, let's raise the tide so that we can all share because we are better together. And that's why we say we're going to be the bridge to bridge that gap between the things that this industry needs so that we can change the narrative and inspire a new generation to come in and help us with very important work.

Richard: I applaud you guys for doing what you're doing. It's, it's a piece of the puzzle, an important piece of the puzzle. When we connect with the next generation, we evolve this industry. This truly is the industry you can do good and do well at. And I think everybody will, will see that hopefully in the, in the very near term.

Lucas: Absolutely. Where we're rooting for you. Not that you need us to, you're very successful. But we're going to follow you and we're standing behind you and rooting for you and your team to go out there and continue to be that front runner to show everybody what is working and how and how to create that culture that matters.

So we're going to connect with you and your organization in our show notes because I know our listeners, they're going to want to know more and figure out what Discovery is doing and follow along. And we're going to do that in our show notes. Please connect with us, ask us questions at BTGvoice.com or on our social media pages. We're on Instagram, we're on Facebook, we're on Twitter, we're on LinkedIn. You know it, and we can connect with you there. And thanks for listening to another great episode of Bridge the Gap.