



# DYNAMIC SALES & MARKETING TACTICS: DRIVING OUTCOMES

Presented By

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## **MOMENTUM** 2023 ANNUAL MEETING & EXPO

Renaissance Schaumburg  
Convention Center - Schaumburg, IL



# AGENDA

ITEM 1: SETTING THE STAGE

ITEM 2: WOODLAND POND CASE STUDY

ITEM 3: OBSERVATIONS & TRENDS

QUESTIONS & ANSWERS

# OBJECTIVES

To understand the foundational principle that sales and marketing tactics need to adapt to changing times.

- To highlight successful not-for-profit examples.
- To give attendees tools to consider when needing to beef up their sales tactics and improve closing rates.

# SETTING THE STAGE

Stephen Johnson  
Managing Director  
Ziegler

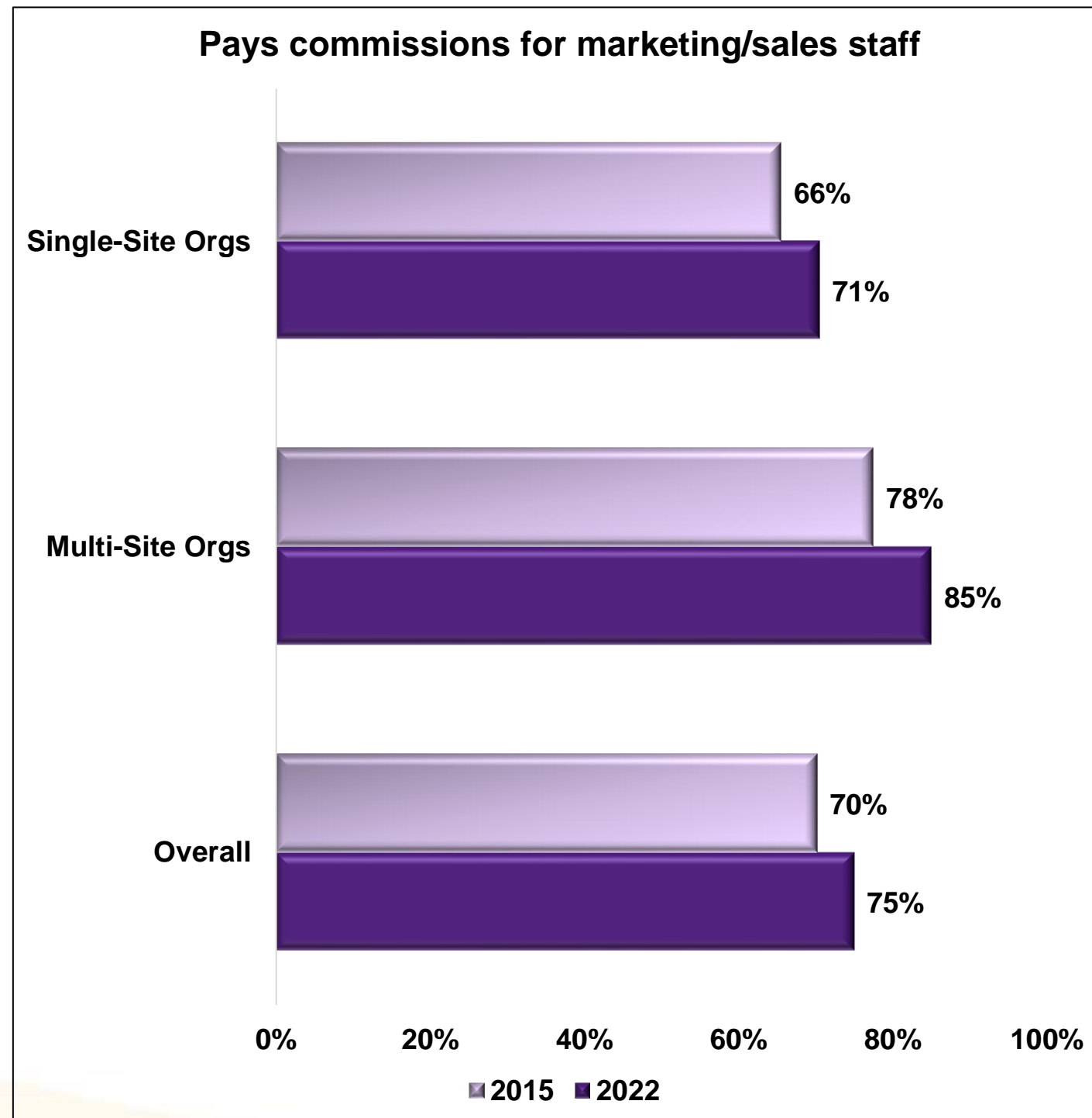
# MARKETING & SALES BUDGETS

- Largest proportion of budgets are 6% or less of total operating budget
  - ✓ 2022 Average Percent of Total Operating Budget: **4.9%**
  - ✓ 2015 Average Percent of Total Operating Budget: **3.0%**
- Percentages are definitely higher for new construction versus existing communities





# INCENTIVES FOR SALES STAFF

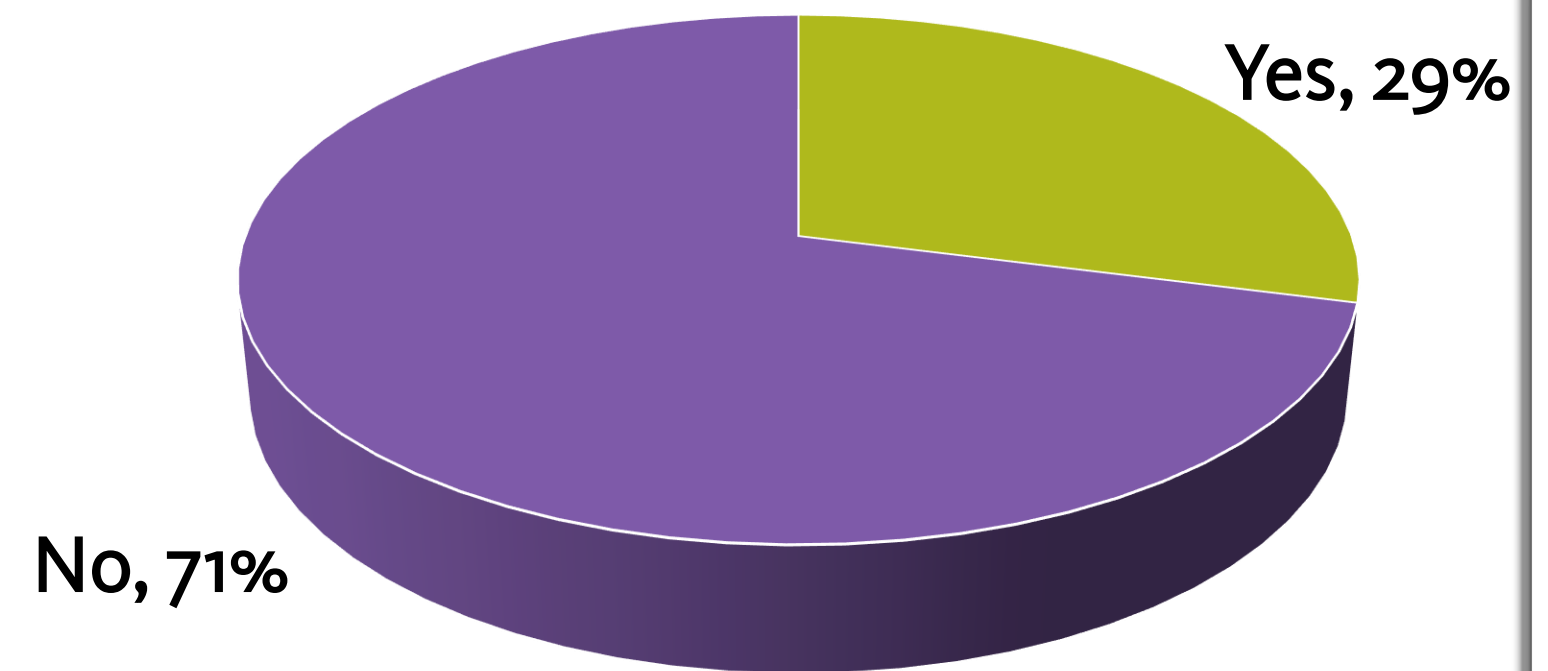


- Among those who incentivize/reward sales staff with commissions:
  - Majority pay those out monthly (55%)
  - Quarterly also common (21%)
  - Commissions generally weighted heavier on the settlement side (61%) or split 50/50 between deposit and settlement phase (34%)
- Roughly 4 out of 10 report they change the sales goals for the team on a regular basis

# CHANGING CONTRACT TYPES

- Observing some changes in contract types:
  - Incoming residents like choice
  - Changes to refundability options

Is your organization looking to modify the contract options offered?



# QUESTIONS TO CONSIDER

- What is the best sales staff compensation structure for our organization?
- Is the current compensation structure for sales staff helping us achieve our goals?
- Are we devoting enough resources to our sales and marketing efforts?
- Are we open to considering new ideas or do we tend to follow “how we’ve always done it?”
- Do we fully understand what the prospective residents want? If so, how are we responding?
- Are we nimble enough to adapt to changes in the market and/or the prospective customer?



# WOODLAND POND CASE STUDY

Michelle Gramoglia  
Executive Director  
Woodland Pond

# “TURNING THE TITANIC”: USING A STRATEGIC MARKETING COMMISSION STRUCTURE TO IMPROVE LONG TERM FINANCIAL OUTLOOK

# THE WOODLAND POND BACKSTORY: IT WAS A HARD START

- 100% Debt Financed October 2007, \$117M, 5 Tranches  
(Didn't help when we lost \$2M on an early-years swap...)
- Feaso showed 14% reliance on turnover entrance fees at stabilized occupancy, all 90% refundable contracts
- Construction overruns of \$7M
- Opened during 2009 ongoing downturn, reached stable occupancy in month 72 (vs. 30 months expected in feaso)
- Turnaround begins....2016 went stand-alone and actively began strategic planning



# STRATEGIC PLANNING PRIORITIZED LONG TERM FINANCIAL STABILITY

- First strategic plan adopted in 2017
- Financial goals at adoption of the plan:
  - ★ Actively pursue refinancing to obtain fixed rates (DONE!)
  - ★ Secure short term 'safety net' cash with an LOC (DONE!)
  - ★ Continue to run lean (DONE!), and.....
  - ★ Maintain Strong IL Occupancy
  - ★ Reduce reliance on 90% refundable contracts
  - ★ Maintain strong incoming entrance fee pool, with aggressive pricing on low refundability contracts
  - ★ Reduce refundable fee liability
  - ★ Increase deferred revenue
  - ★ Grow Days Cash on Hand

# PROJECT LIKE A BOSS!

We can't identify specific financial targets and goals without a strong projection model



## REVENUE (Accrual Based)

Independent Living  
Earned Entrance Fees (non cash)  
Enriched Housing  
Skilled Nursing & Special Care  
Other Income  
Investment Income

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### TOTAL REVENUE

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## OPERATING EXPENSES (Accrual Based)

Salaries and wages  
Employee Benefits  
Professional fees  
Supplies and other  
Provision for Bad Debt (non cash)  
Insurance and real estate taxes  
Interest, remarketing fees  
Depreciation and amortization (non cash)

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### TOTAL OPERATING EXPENSES

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Plus/ minus: Realized / unrealized gains and losses

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### Net P&L Deficit

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## Convert P&L Projections to Cash Based for Cash Projecting:

### Net Entrance Fee Proceeds:

**Add:** Expected Entrance Fees

**Less:** Known refunds with dates due

**Less:** Balance of actuarially projected refunds

## Add/Less All other cash timing components including:

PILOT, Cash Debt Service, Capital, Other

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### Net Cash Activity, Reconciled from P&L

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### Ending Cash Balance

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Daily Cash Expense

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### Days Cash on Hand

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# MONEY TALKS: ALIGNING COMMISSION STRUCTURE AND CONTRACT MIX TO ACHIEVE STRATEGIC FINANCIAL GOALS



# CONTRACT MIX CHANGES & ALIGNING COMMISSIONS WITH STRATEGIC GOALS (2 STEPS)

## When We Added Contracts:

90% - 2009

Trad/0% - 2011

50% - 2018

75% - 2021\*

(\*90% eliminated)

**\*\*Our Lifecare Fee is SEPARATE from the Entrance Fee!\*\***

## Strategic Marketing Commissions Program Added in Q4 '17

- ❖ Draws on \$\$ as motivation in sales
- ❖ Goals revisited quarterly
- ❖ What drives the quarterly commission structure:
  - ❖ Inventory Goals
  - ❖ Occupancy Goals
  - ❖ Cash Flow Goals (esp. in 2021)
  - ❖ Lifecare Goals
  - ❖ Double Occupancy Goals
  - ❖ Contract Mix Goals
  - ❖ Covenant / Critical Ratio Goals

# SAMPLE COMMISSION STRUCTURE

Goals for this Quarter:

Goal Category	Goal This Quarter As Reflected in Commission Offer
Inventory Goal	To sell our last remaining 2 BR units (Cedar)
Occupancy Goal	Nothing specific in this particular quarter
Cash Flow Goal	To maximize EF proceeds to align with covenant dates
Lifecare Goal	Nothing specific in this particular quarter. <b>Did I mention our Lifecare Fee is separate from the Entrance Fee??</b>
Double Occ. Goal	To increase double occupancy (perpetual goal)
Contract Mix Goal	To maximize sales of Trad. Refundable contract
Covenant Goal	To grow total EF proceeds pool toward exceeding DSCR and DCOH covenants

# SAMPLE COMMISSION STRUCTURE

How we drafted the commission offer to meet the goals, excerpted:

“Commission: Commissions in 2XXX will be based on settlements, not deposits. For sales on which you are the salesperson – for 2XXX settlements:

	Commission 90% Refundable	Commission 50% Refundable	Commission Trad Refundable
Spruce	\$ 500	\$1,500	\$1,750
Willow	\$ 500	\$1,500	\$1,750
Cedar	\$ 750	\$1,750	\$2,000
Dogwood	\$ 500	\$1,500	\$1,750
Oak	\$ 500	\$1,500	\$1,750
Cottage	\$ 250	\$ 500	\$ 750

Additional Incentives: \$500 premium added if the unit is sold to a couple



# SAMPLE COMMISSION STRUCTURE, CONTINUED

“Additional commission opportunity: For each month the Marketing Department collects at least the amount of the Entrance Fees budgeted, as follows, you will earn a 20% added premium on each commission earned in that month.

Jan	\$ -
Feb	\$ 400k
Mar	\$ 400k
Apr	\$ 400k
May	\$ 800k
June	\$ 1,201k (DCOH measurement date)
July	\$ 800k
Aug	\$ 800k
Sept	\$ 500k
Oct	\$ 500k
Nov	\$ 800k
Dec	\$ 1,600k (DCOH and DSCR measurement date)

# SAMPLE COMMISSION STRUCTURE, CONTINUED

Quarterly cumulative bonus: If the Marketing team succeeds in securing the following cumulative amounts, the amount shown for commissions below will be earned in addition to the above.

Through March 31, 2020:	\$1,250,000	\$2,500 Commissions
Through June 30, 2020:	\$4,000,000	\$3,500 Commissions
Through September 30, 2020:	\$3,200,000	\$3,500 Commissions
Through December 31, 2020:	\$6,000,000	\$5,500 Commissions

For each additional \$400,000 in Entrance Fees collected from new move ins above the \$6,000,000, you will earn \$3,000 additional commission.

Timing of commissions:

All commissions will be paid in the paycheck which represents a full pay period following the conclusion of each fiscal quarter. Again, commission payments will be quarterly.

# KEEPING THE MARKETING TEAM LASER FOCUSED ON THEIR GOALS:

<b>YELLOW: Will Result in Perm HC Transfer</b>	<b>RED: Will Kick Refund</b>	<b>GREEN: Free and Clear</b>		
<b>SETTLED TO DATE 2022</b>				
<b>Unit Style/#</b>	<b>EF Plan</b>	<b>EF Amount</b>	<b>LC Paid</b>	
<b>YTD 2022 DETAILS HIDDEN</b>	<b>TOTAL :</b>	<b>\$4,622,435</b>	<b>\$2,136,353</b>	<b>\$6,758,788</b>
<b>DEPOSIT RECEIVED FOR 2022 CLOSE</b>				
<b>Willow 333</b>	50% w/LC	\$308,880	\$134,531	
<b>Cedar 435</b>	50% w/LC	\$308,880	\$134,531	
<b>Willow 602</b>	Trad w/LC for one	\$319,075	\$134,531	
<b>Willow 421</b>	Trad w/LC	\$262,800	\$134,531	
<b>Spruce 322</b>	Trad w/LC	\$267,700	\$134,531	
	<b>Total Settled + Anticipated</b>	<b>\$6,089,770</b>	<b>\$2,809,008</b>	<b>\$8,898,778</b>
<b>HOT LEADS / AVAILABLE UNITS FOR 2022 CLOSE</b>				
<b>Spruce 537</b>	Trad w/LC	\$267,700	\$134,531	
<b>Willow 633</b>	Trad w/LC for one	\$319,075	\$134,531	
	<b>Total Settled + Anticipated</b>	<b>\$6,676,545</b>	<b>\$3,078,070</b>	<b>\$9,754,615</b>
<b>WARM LEADS / AVAILABLE UNITS FOR 2022 CLOSE</b>				
<b>Cedar 430</b>	Trad w/LC	\$320,375	\$199,106	
	<b>Total Settled + Anticipated + Hot Leads</b>	<b>\$6,996,920</b>	<b>\$3,277,176</b>	<b>\$10,274,096</b>

We use a

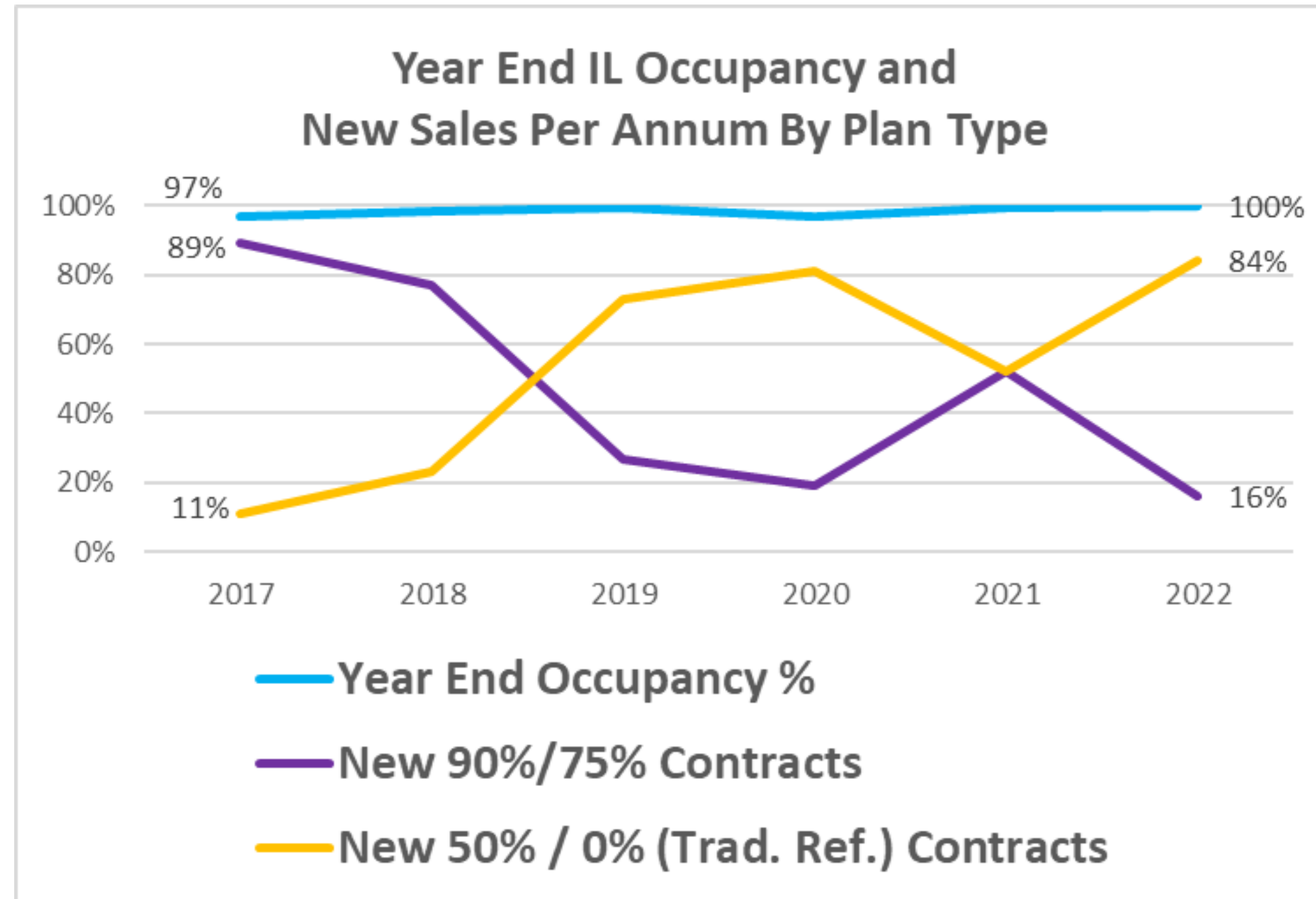
“Path to  
Success File”

and we meet to  
review it  
weekly



# HOW DID OUR STRATEGY OF ALIGNING COMMISSION STRUCTURE TO ACHIEVE STRATEGIC FINANCIAL GOALS WORK?

# GOALS: MAINTAINING STRONG IL OCCUPANCY & REDUCING RELIANCE ON 90% REFUNDABLE CONTRACTS: ACHIEVED!!



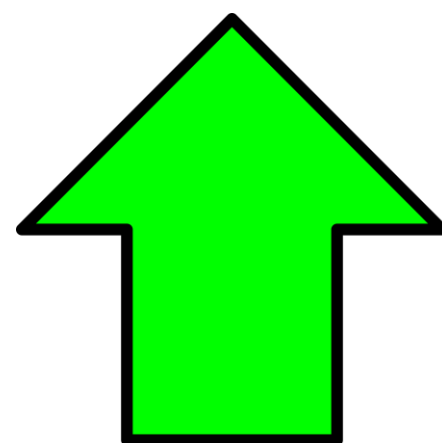
# GOAL: MAINTAIN STRONG INCOMING ENTRANCE FEE POOL, WITH AGGRESSIVE PRICING ON LOW REFUNDABILITY CONTRACTS: ACHIEVED (PESKY 2020!)



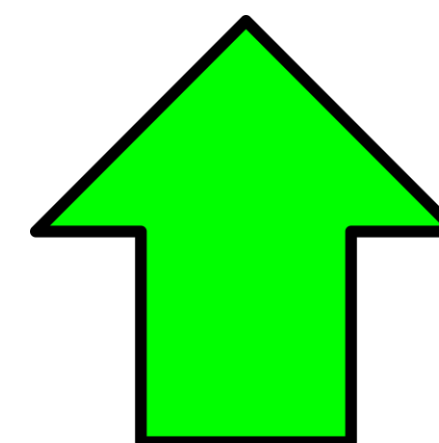


## HOW DID WE KEEP ENTRANCE FEE POOL HIGH WITH LOW REFUNDABILITY CONTRACTS?

**Aggressive Price Increases!**

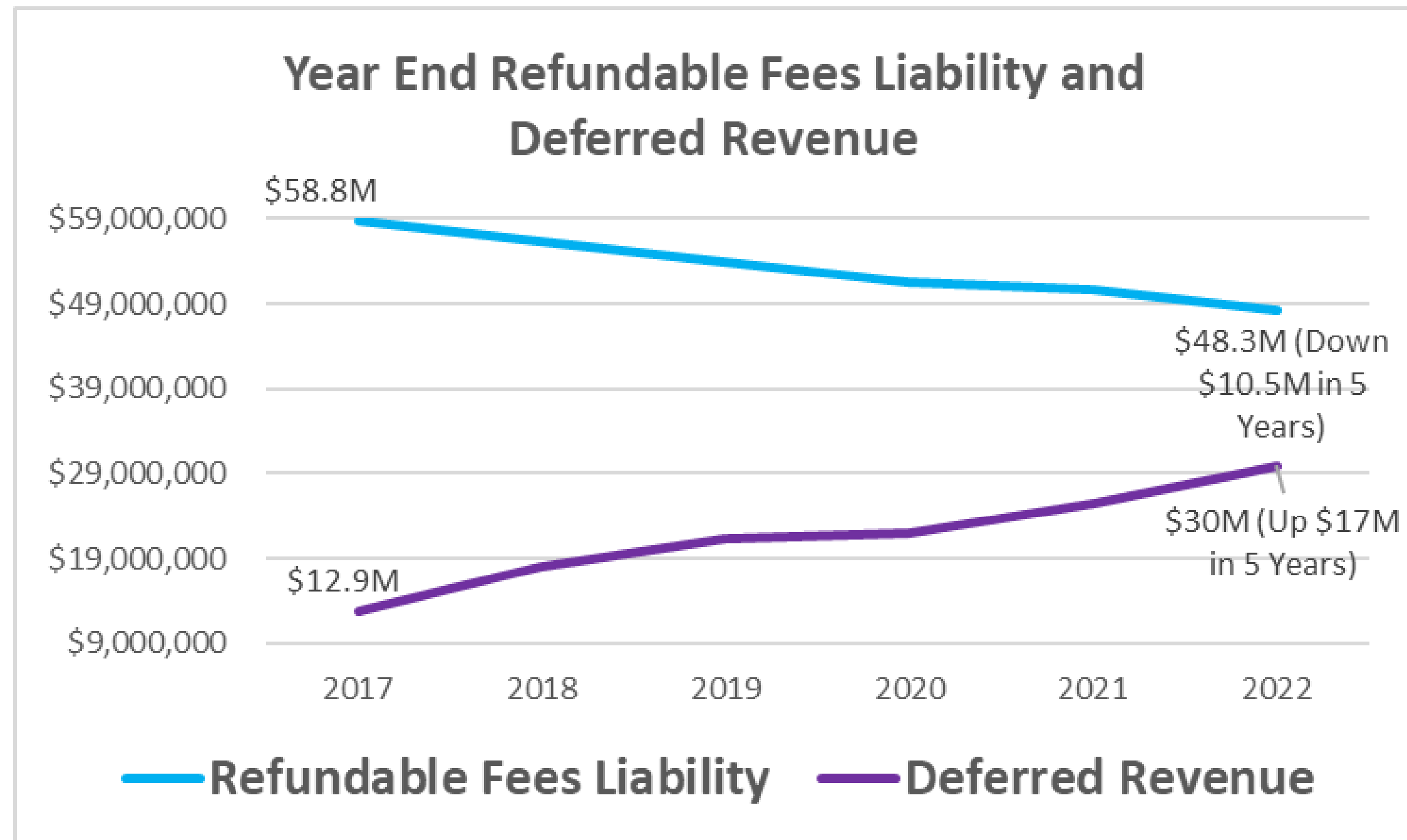


10% to 17%

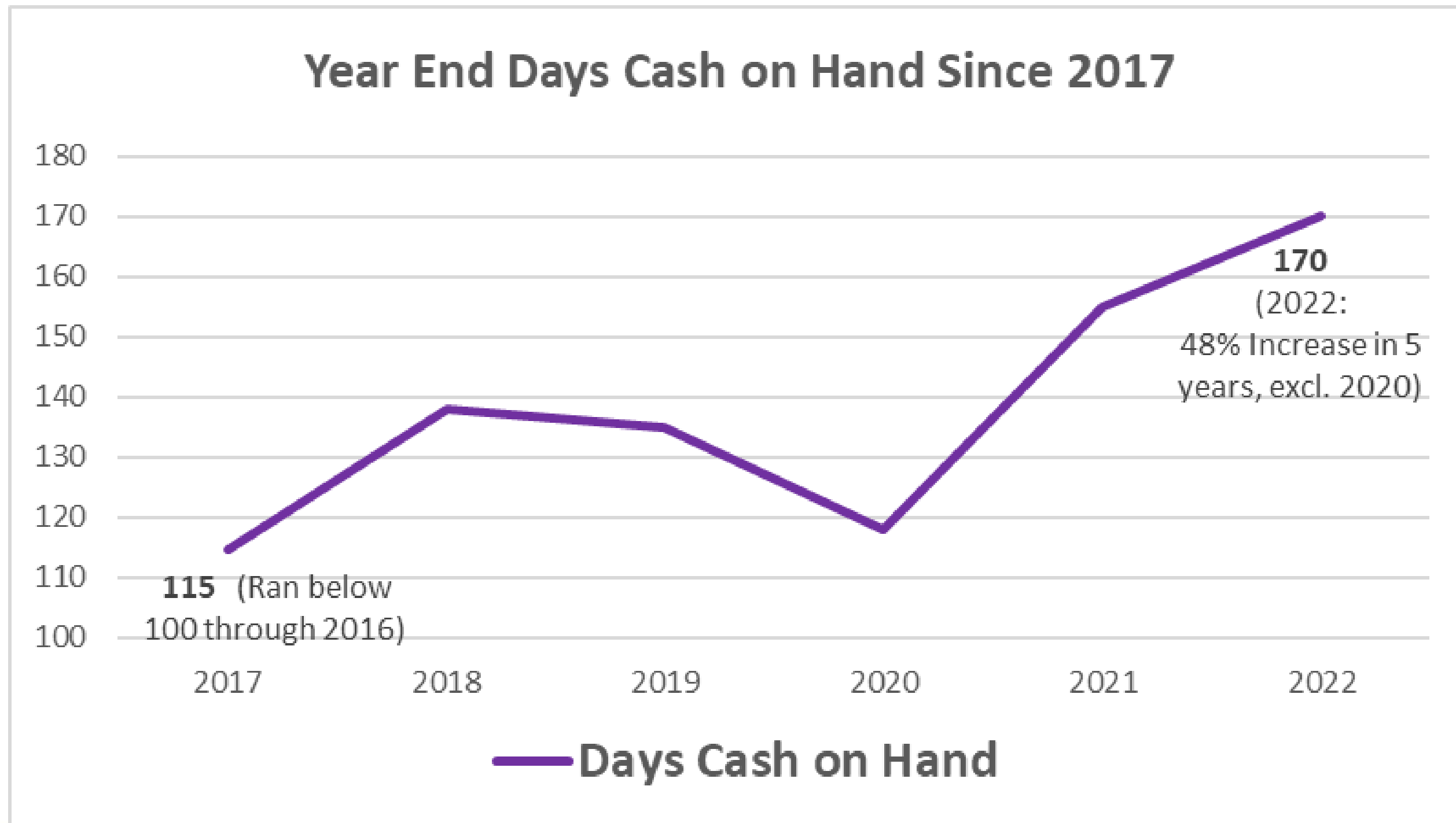


Annual Entrance Fee Increases  
Every Year Since 2017

## GOAL: REDUCING REFUNDABLE FEE LIABILITY & INCREASING DEFERRED REVENUE: ACHIEVED!!



## GOAL: INCREASING DAYS CASH ON HAND: ACHIEVED!! (PESKY 2020!)



# OBSERVATIONS & TRENDS

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# THIS SESSION WILL FOCUS ON ALTERNATE CONTRACT OPTIONS TO:

- Broaden the market
- Achieve community revenue goals
- Offer choice
- Help sales
- Respond to the changing consumer

# TOPICS FOR TODAY

The “Choice” Thing

Changing Market Conditions

Dynamic Contract Types

# THE “CHOICE” THING

RESIDENTS, PROSPECTS, SALES TEAM ASKING  
FOR CHOICE

CHOICE = CONTROL

“LONGEVITY ECONOMY”

# CHANGING MARKET CONDITIONS

Competition

Senior  
Finances

Economy



# DYNAMIC CONTRACT TYPES

Not dynamic  
like attractive

Dynamic like  
ever-changing

Seek alignment  
with seniors  
and market  
conditions

# MANY PRESSURES ON LIFE PLAN COMMUNITIES

- Grow Entry Fee and Monthly Fee Revenue
- Improving Occupancy
- Reduce Future Refund Obligations
- Control Health Care Benefit Costs
- “Cost Shifting”

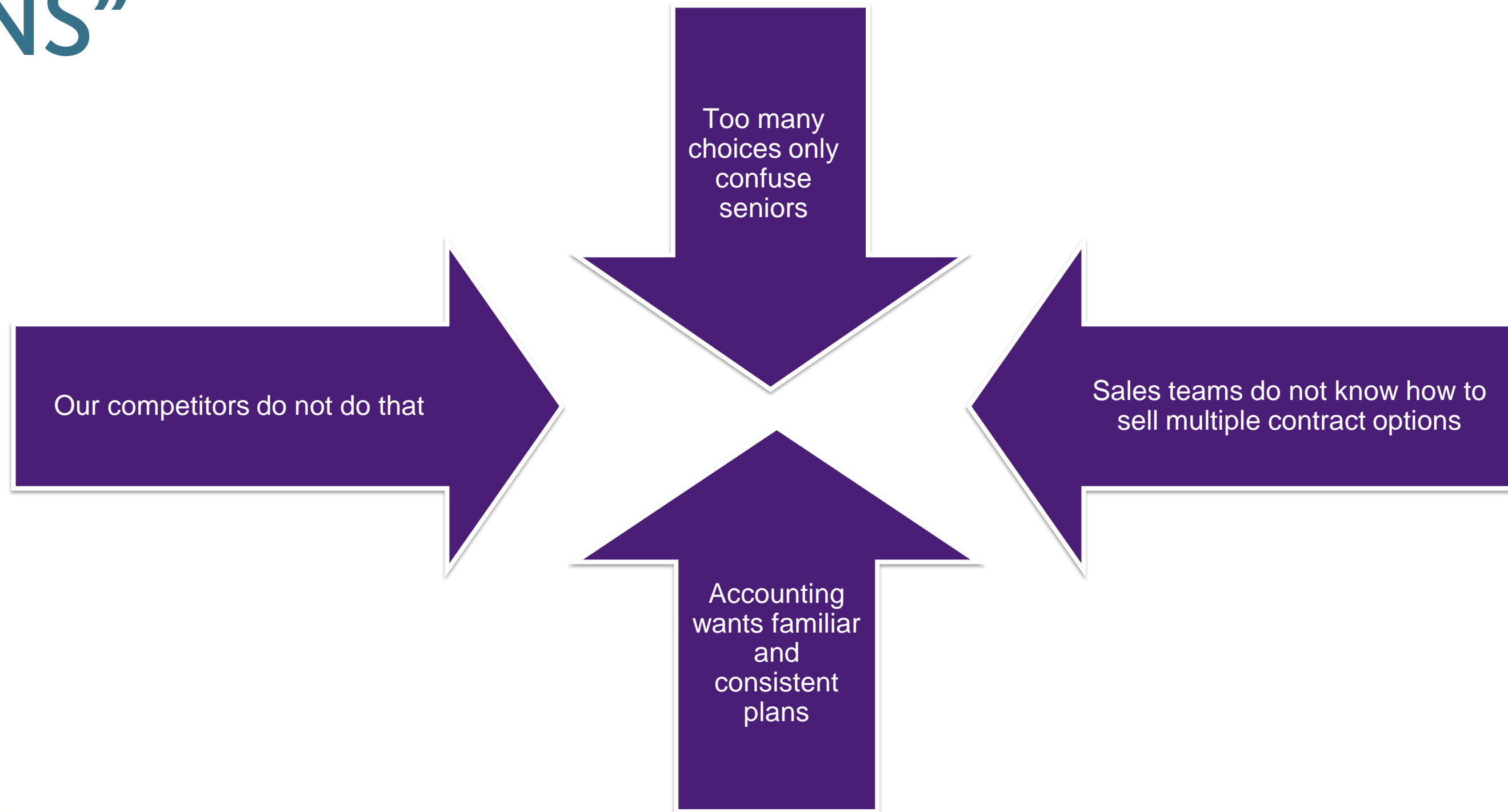








# “SENIORS DO NOT LIKE COMPLEX PRICING PLANS”



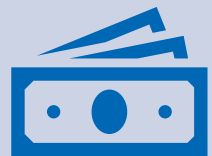
# WHY CONSIDER MODIFYING OR ADDING CONTRACTS?

- The changing senior consumer
- Occupancy
- Attrition
- Inventory
- Competition
- Economic conditions
- Expansions and phases

# CONTRACT ALIGNMENT TO THE MARKET



Balance AIQ's Home Values with Entrance Fees



Balance AIQ's Incomes with Monthly Fees



Positioning in the Competitive Market Set

# CONTRACT ALIGNMENT CONSIDERATIONS

- How many contracts to offer?
- How many of each contract type?
- Designing incentives to promote behavior
- Designing sales compensation
- Specific targeting of:
  - Highest margin contract
  - Couples
  - Singles
- Offer component pricing?
  - Long-term care benefit choices
  - Second person
  - Monthly fee buy down





# CURRENT EXAMPLES OF WHAT CAN BE DONE WITH THE ENTRANCE FEE?

- Accelerate amortization for couples
- Increase non-refundable portion to reduce the refundability
- Use lower refund to cover second person entrance fee
- Trade lower refund for monthly fee discount in independent living
- Create a plan for those with Long-Term Care insurance
  - Slightly lower entrance fee and monthly fee
  - No Long-Term Care benefit
- Use refundable portion of entrance fee as a line-of-credit to pay for Long-Term care costs greater than their independent living monthly fee

# CURRENT EXAMPLES OF WHAT CAN BE DONE WITH THE MONTHLY FEE?

- Unbundle services
- Flexible spending amount – “Resort credit”
  - Meal services
  - Spa
  - Salon
  - Excursions
  - Transportation
- Discounted monthly fee while in independent living (only) in exchange for lower entrance fee refund

# CURRENT EXAMPLES OF WHAT CAN BE DONE WITH THE LONG-TERM CARE BENEFIT?

- Reduce amount of benefit offered in Long-Term Care
- Equalized rate in all levels of Long-Term Care
- Stretch out term of benefit
- Different benefit amounts in assisted living, memory support, skilled nursing
- Lower refundability buys more health care benefit (option)
- “Service Days”

# ALTERNATE CONTRACTS CAN BE OFFERED

- Only for a limited time
- Only on “special” inventory and locations
- To create urgency
- To create choice
- To respond to changing market conditions

# ALTERNATE CONTRACT CONSIDERATIONS

- Some states required approval of contract changes
- Some financing restrictions on changing prices without permission
- Training for sales team
- Should be actuarially priced-for-margin



# CONTRACT DESCRIPTIONS

A, B, C

All Inclusive, Modified, Deferred Benefit, Amortizing,  
Traditional

Descriptors

- Legacy
- Choice
- Prime
- “Don’t Worry, Be Happy”

# IN CONCLUSION

- Choice Architecture”
  - Decisions are influenced by the manner in which choices are presented
- Periodic adjustment, alignment, modification of contract types is a good thing
- A Pricing Study is one place to start

# QUESTIONS & ANSWERS

# ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets and proprietary investments firm
- A registered broker dealer with SIPC & FINRA
- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research
- Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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**MOMENTUM**

# 2023 ANNUAL MEETING & EXPO

**MARCH 7-8, 2023**

Renaissance Schaumburg  
Convention Center - Schaumburg, IL