Achieving Sales Success: Key Ratios and Best Practices in Assisted Living Properties

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Introduction

The importance of sales performance is particularly acute today. Every assisted living firm needs to know its sales track record and where to make changes to improve its sales operations and consequent financial performance.

What are the best companies doing to succeed and even excel in sales performance? This article examines the sales and marketing efforts of a number of firms in order to identify those "best practices" that are yielding exceptional results.

Two factors that make a difference in sales success are the skills of a company's sales people and the systematic use of accurate and effective information systems. This has been a standard but untested assumption within the senior living industry. This article focuses on those two issues: the company's information systems and the sales skills of the individuals charged with demonstrating effective sales practices.

Quality of the Systems

<u>Lead Tracking and Management Systems</u>

The first stage of the research involved contacts with 15 medium to large assisted living firms. Together, they own and operate over 500 communities. The process of interviewing these companies produced several interesting findings about lead tracking and management systems. These findings, which relate to the availability and quality of the data on the sales process, are important because accurate and reliable information is essential for corporate decision-making.

System Design Many companies in the industry do not have effective systems. They often do not have a systematic way to enter and categorize leads or to track them through key points in the sales process. In those cases, sales people lack accountability, and the data are incomplete or the data are very inconsistent. This is a system problem.

Training In other cases, companies have a sound lead management system but the employees either have not been trained well enough to use the system or the employees are uncomfortable using the system.

Motivation Lack of motivation can also create problems. Employees who do not see the benefit of using a lead management system may be resistant to learning and using it for tracking. Another problem may be that the employees believe there are incentives to not use the system properly because they fear that an accurate tracking of closing ratios might reflect poorly on their performance, and even affect their compensation, bonuses, and continued employment.

<u>Consistent and Well-Established Standards</u>

The next stage was to identify companies that had consistent and well-established standards for qualifying and coding the leads in the system. One standard procedure is to evaluate the leads that come in over the phone and in person to assess which ones are real customers. Not all customers who call or visit are truly in the market for assisted living. So, the aim was to identify companies that have standards that are being used consistently for taking the leads and loading them into the system, along with a follow-up protocol that specifies particular responses for each type of lead. Another factor is rating the quality of the lead. Without these standards, there is no way for companies to set criteria for measuring closing ratios.

<u>Availability of Information</u>

Another concern was finding companies willing to share information. Many companies are reluctant to talk about their leads lest other companies get information that would hurt them competitively. And companies don't necessarily know what their closing ratios are or there is a dispute as to how they are determined and what those numbers actually should be.

Industry Benchmarks

<u>Closing Ratios</u>

What is the average industry closing ratio? For the most part, the 15 companies' estimates of average closing ratios ranged from 8% to 12%, with an average of about 10%; this is consistent with how companies have performed over the last five years.

A closing ratio includes three components. The first component is from inquiry (which could be over the phone or in person) to an onsite visit and/or a tour. The second component is between the onsite visit and making a deposit. And the last component is from the deposit to move-in, which is commonly referred to as the conversion ratio.

The conversion ratio is a good indication of the quality of the sales approach used by the company. In most communities, some people who offer a deposit back out at some future point. This is the result of at least two conditions. One is that a community does not have space available when they need to move. The second, which may be more telling, is that people put a deposit down but later change their minds. They may have felt pressure or later felt uncomfortable with their decision, so they return and ask for their deposit back. This may reflect a corporate sales approach that is less needs-focused and more sales-focused.

To achieve good closing ratios, sales skills are critically important on that initial phone call. The *National Survey of Assisted Living Residents: Who is the Customer?,* a 1998 study by the National Investment Conference (NIC), reported an average of 8.25 competitors for each community in its area. Based on a number of informal inquiries to assisted living experts, many people make six to eight phone calls to assisted living communities before they choose to visit. Why do people feel they have to make all of these phone calls before they make a visit? Is it possible to get them to commit to visit without doing all of this data gathering and, if so, how?

Analysis of mystery shopping data indicates that this is an area where sales skills are weaker, and the opportunity to establish a relationship with customers on a phone call is lost. As a result, potential customers try to do more research on their own in order to get educated and make their own decision as to where they think they need to visit. When customers focus on data gathering, price, and amenities, then sales people have lost the opportunity to focus on how they can meet the customers' needs and provide value. The key to achieving this connection is a highly skilled and focused sales approach on the phone.

In the most successful companies, the closing ratio from the phone call to the visit is higher than average. Can this be attributed to the skills and performance of their sales people, who have the ability to build a relationship with the customer over the phone, develop some sense of what their needs are, and therefore present a more compelling reason to come in and visit?

Sales Skills

The *Sales Book for Assisted Living* (ALFA University and ServiceTRAC, 1999) identifies four principles as foundations for sales success. Each of these principles represents an area in which the sales skills of the communities included in this study are measured.

The first one is the ability of the sales person to build a relationship with a potential customer, both on the phone and in person when they visited. This is an important initial step because, by building rapport, the sales person:

a) helps to build an atmosphere of trust,
b) is better able to identify real issues, and
c) is positioned to do value-based selling.

Second is the ability of the sales person to be an effective questioner and listener to match values with their customer or identify what the customer's real needs are. This includes their ability to:

a) build a one-on-one relationship, and
b) identifying customer needs.

The third area selected was the sales person's ability to create a "different and better" story, namely:

a) to pinpoint the customer's value issues,
b) to highlight the community's strengths, and
c) to match customer values with community strengths.

Fourth, the ability of the sales person to help the customer take the next appropriate step in the process was assessed. We wanted to evaluate the sales person's ability to

a) ask for some kind of specific next action step and be able to recognize objections,
b) have the confidence, knowledge and skills to help the customer overcome those objections, and
c) ask for a decision again.

Research Findings

After reviewing the preliminary data, three companies were selected for detailed analysis. Each had more than 50 buildings, was in the position to provide services nationwide, offered services in their buildings ranging from independent to assisted living, and generally had more than one level of care. The average size of these communities was over 100 apartments, and all companies had onsite sales people who worked full time.

The data in this analysis came from a mystery-shopping program using the same standardized survey for all three companies. For each company, more than 100 mystery shops were completed, using the same basic protocol. Mystery shoppers made inquiries over the telephone, following a scripted mystery-shopping procedure.

First Impressions

The first step was looking for whether or not employees ask for the caller's name, telephone, and address. As shown in Figure 1, all three companies have a high incidence of not asking for these items, which suggests a failure to get to know the caller or to get the information needed for follow-up. It also suggests that information in the lead management system is incomplete because, in this case, about 40% of those calling are not asked for this information. Unless the listings in the lead management system show a similar ratio of missing information, it is probable that these leads are not going into the lead management system. This is consistent with the earlier comment that the numbers companies use to measure performance may not be completely accurate or reliable. Company A has the highest rate of sales people getting both the phone number and address, while Company B has the highest percentage of the getting the address only. This is a significant issue because many employees focus on sending information to a customer rather than inviting them to come in for a visit. As a result, the customer is controlling the information gathering process and is much less likely to come in for a visit where a sale can be made.

Figure 1: Person Taking Call Asked You For …

	Phone and Address	Phone only	Address only	Nothing
Company A	39%	13%	8%	41%
Company B	13%	3%	38%	48%
Company C	34%	11%	26%	29%

Establishing Needs

The next step involves the process of establishing needs. Figure 2 shows how the three companies compared on asking permission to establish needs. The four options appear in order from best to worst. Notice that Companies A and B seem to be far ahead of Company C at the top end of the scale. This is important; when the sales person begins by respecting the customer and asking for the opportunity to ask questions further, it sets the stage for more information flowing from the customer, which helps the sales person be more effective.

Figure 2: Permission To Establish Needs

	Asked/ Created Rapport	Asked/ Explained Benefits	Asked Only	Did Not Ask
Company A	39%	3%	26%	33%
Company B	38%	5%	8%	50%
Company C	3%	18%	13%	66%

Now it is time for the sales person to actually ask the questions that help to establish the customer's needs. Company A again is the best performer, asking two or more questions about two thirds of the time. The other two companies ask fewer questions, and they often ask no more that the caller's address, indicative of a focus on mailing the information instead of personal one-on-one communication.

The rest of the process of establishing needs is accomplished by listening to and clarifying the customer's responses to those initial questions. Several methods of doing this are used in the ratings in Figure 3.

Figure 3: Listen and Clarify Needs

	Showed Empathy	Repeated/ Rephrased	Asked For More Details	Asked and Gave Info
Company A	46%	21%	64%	74%
Company B	38%	20%	25%	50%
Company C	22%	5%	35%	81%

Company A outperforms the other two in all areas: showing empathy for the customer, repeating answers to make sure the customer's needs are clearly understood, showing interest by asking for details, and responding with general information. Again, Company A clearly seems to be a more highly trained sales team.

Discussing Rates

Figure 4 shows how the companies deal with rates. Ideally, when the customer asks about rates, the sales person's response is to explain that there is a variation in the rates and that without more information the sales person cannot give specific rates that would be reliable. Telling the customer what the rates are or saying there is a specific range of rates is not the right approach. The performance of Company A is the best, with 70% of the calls handled properly, indicating that its sales people are continuously trying to sell value instead of price.

On the other hand, Company B tends to explain the rates more readily, both in detail and with ranges. When the sales person volunteers the rates, this eliminates the need for the customer to either stay on the phone and learn about the community or come in and visit. The old saying is, "In the absence of value people buy on price." Selling on price can be detrimental, because a competitor may be out there lowering the price in order to survive even when the value is much higher than the price reflects, and so those sales people who sell on price can be very detrimental to the company's health.

Figure 4: Responding to Rate Inquiries

	Did Not Discuss Rates; Encouraged a Visit	Explained Rates Vary by Need	Gave Range Before Asking Situation	Gave Specific Rates Without Identifying Needs
Company A	5%	71%	11%	13%
Company B	8%	33%	35%	25%
Company C	11%	53%	21%	16%

Asking for a Visit

Presenting the community over the phone is a simple task. The sales person's goal is to paint a picture of what it is like to live in the community and do so in a manner that conveys a sense of how the community is different and better than other alternatives. The aim is not comprehensiveness, but a sketch that will generate interest in a visit.

After the presentation of the different and better story, it is time for the sales person to ask for or strongly encourage a specific commitment on the customer's part to schedule a visit.

In explaining the benefit of a visit and trying to set one, Company A again is slightly higher. But what is unanticipated is Company C's strong showing at asking for a visit in some manner (the sum of the first three columns in Figure 5). Sadly, the results are disappointing. When the presentation is poor up to this point, the request for a specific appointment is rarely as successful and usually many objections are given.

As a result, companies whose sales people skip some of the basic selling steps and value points end up having less success at the end when the customers realize they don't have the information to make a decision. In the case of Company A, 26% of the time an appointment is set, and in another 33% of the time a visit is encouraged. But when there is a vague invitation to visit or no visit at all encouraged, no objection is required. The sales person is very likely to get off the phone not knowing what objections the customer may have and not having an opportunity to overcome those objections and ask again for the visit.

Figure 5: Invitation to Visit

	Explained Benefit and Asked for Visit That Day	Asked for Visit That Day, No Benefit Explained	Asked for Visit at Some Later Time	Vague or No Invitation to Visit
Company A	31%	3%	26%	41%
Company B	13%	8%	30%	50%
Company C	27%	3%	49%	22%

Overcoming Objections

In Figure 6, which contains information about overcoming objections, Company A's performance is again the best. Their efforts to make a second attempt to ask the customer to come in for a visit were significantly better than the competition's. This reflects a highly trained sales team and one that has more success. The other telling statistic is the other companies' lack of effort at dealing with objections. In this situation, customers get off the phone with unanswered questions that usually are addressed by some competitor, who gets the visit and the customer.

When the sales person is unable to arrange a visit, the tendency is to send information, but this can produce confusion for customers who have to educate themselves about communities' services and their own needs. It would be better for sales people not to offer to send information except as a last resort. Generally, they should already know whether or not they have won the customer. When it comes down to whether the sales person has really connected with the customer, according to the NIC study, families looked at an average of 1.4 communities before they made a decision. This research also showed that most assisted living residents never visit more than one community prior to moving in. Clearly, it is in the best interest of the customer and of the community to have the customer come in and visit instead of receiving information in the mail.

Figure 6: Overcoming Objections

	Attempted to Overcome and Set Visit	Vague Invitation to Visit	No Attempt to Overcome or to Set Visit
Company A	85%	10%	5%
Company B	24%	52%	24%
Company C	46%	29%	25%

Evaluation and Recommendation

Figure 7 is one of the most telling. At the end of the conversation, shoppers reply to two questions about the overall experience with the sales person. In almost 100% of the cases, customers' evaluations were that they found the sales person amiable and personable, and they would be willing to visit the community. The other question concerns the customer's willingness to recommend the community to someone else. This measure is highly reflective of their confidence in the ability of that community to meet the needs of the consumer. As shown in this figure, Company A was more than twice as successful as Company C, and Company B was not at all successful in convincing callers this is a place that they would feel comfortable recommending. The message is: "I will go there and visit, but I am not comfortable or confident enough in the community to send my friend there." A goal of the sales people in these companies should be to convey a level of confidence over the phone to a consumer that they would be willing to recommend it to a friend.

Figure 7: Based on Call, Would You...

	Actually Visit the Community	Recommend it to Someone Else
Company A	100%	29%
Company B	100%	0%
Company C	97%	14%

Closing Ratios

So what is the bottom line? As illustrated in Figure 8, Company A is the most successful at turning initial inquiries into actual move-ins, so much so that its sales performance might be examined for evidence of industry best practices.

Figure 8: Closing Ratios

Company A	18 - 20%
Company B	8 - 10%
Company C	10 - 12%

Identification of Best Practices

In light of these findings, what is it that generates the success of the best-practices company? Preliminary research of 15 companies provided insights about the importance of good systems and standards for tracking sales leads. From an information systems perspective, companies need a good solid base of information to understand what their closing ratios are and to measure how successful they are. In the area of company standards, they need to have standards set for each step of the sales process and specific protocols as to how sales people are to handle those steps and the corporate information systems that go with them.

Beyond these practices, it is evident that the skills of the sales people can clearly affect not only the overall impression they give a potential customer, but also their overall success. From this research, it is possible to identify four key sales skills that most correlate with sales performance as measured by both willingness to recommend the community and closing ratios.

First, companies whose sales people ask permission to establish the customer's needs are more successful. They are taking the time to connect with the customer, and it pays off in the end.

Second, in the area of listening and clarifying needs, the practices of showing empathy for the caller's situation and asking for more details about it correlate well with sales performance. Because they work on building a relationship and ask questions so as to let the caller do the talking, these sales people understand their customers better.

Third, in responding to price inquiries, the sales staff in a "best practices" company did not provide a range or specific rates, but rather did a better job of encouraging a visit or making a general connection between prices and needs. Thereby, these people generally moved the focus away from price and other facts to needs and value.

Fourth, this research has shown that, when sales people handled objections by attempting to overcome them and making a second attempt to set a visit, they achieved significantly higher closing ratios.

In addition, the customer's willingness to recommend the subject community to a friend, based upon the very first call, is a strong indicator of how successful the company will be in closing sales.

A possible area for future research would be the comparison of specific approaches used by firms at various points in the process—inquiry, initial visit, interim contact, deposit and move in—to assess how they contribute to sales success.

This research indicates that successful companies are experiencing about a 50% closing ratio factor between the call and the visit. These are general inquiries, as distinguished from referral inquiries that are the result of a recommendation from some knowledgeable person or close friend. This separate tracking is based on the fact that closing ratios from leads to deposits are very different for general and referral leads. Successful companies try to achieve a 50% closing ratio factor from visit to deposit on referral leads and a 30% closing ratio factor between visit and deposit on general leads. Those companies also set a target of a 50/50 split between general and referral leads in terms of total incoming calls or visits. These closing ratios, combined with no more than a 10% conversion fallout from deposit to move in, can accomplish an overall 18% closing ratio – almost twice as good as the industry average.