A photograph of three business professionals in an office setting. A man in a light blue shirt and tie is leaning over a desk, looking at a laptop screen. Two women, one in a grey top and one in a white shirt, are also looking at the screen. The background is bright and out of focus, suggesting a modern office environment.

How to Calculate Your ROI on Internet Referrals Presented by: [Caring.com](https://www.caring.com)

Welcome



This is a one-way webinar however you may ask questions by typing and submitting them using the tool at the right side of your screen.

This presentation deck will be available within two business days; however much of the panel discussion will be free-form and you may want to take notes.

Presenters



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Caring.com: The #1 Senior Care Resource

#1 for Senior Care Reviews

2 million monthly visitors

70,000 listings

50,000 consumer reviews

3,000+ original articles

Support groups

Part of Bankrate's powerful network of web sites (14 million monthly visitors)

The screenshot shows the Caring.com website interface. At the top, the logo "Caring.com" is displayed next to the phone number "(866) 824-8174". There are links for "Sign In" and "Sign Up", and a search bar with the text "Search caring.com". Below the header is a navigation menu with categories: "Senior Care", "In-Home Care", "Health Conditions", "Money", "Caregiver Wellness", and "Support Groups". The main content area features a large image of a hand holding several medals. To the right of this image is a featured article titled "8 Smart Ways to Pay for Assisted Living" with a sub-headline "Worried about how you'll afford assisted living? Explore 8 creative options you may not have thought of yet." Below the main image are four smaller article thumbnails: "Call Us For Help", "Pay for Assisted Living", "Multiple Sclerosis Symptoms", and "Caring Champions of 2013". A blue search bar is positioned below the thumbnails, containing the text "Find Senior Care" and "Where are you looking? City & State or Zip", with a "Get Help Now" button on the right. Below the search bar is a section titled "Senior Care Reviews & Resources" with three columns: "Assisted Living", "Memory Care", and "In-Home Care". Each column includes a small image and a brief description of the service, along with a link to "Read [service] reviews".

Agenda



- What is ROI in Senior Housing & Care?
- ROI vs. Other Marketing Programs
- Lost Revenue & How to Calculate It
- How to Use Lost Revenue to Drive Marketing Strategy
- Q & A

What is ROI Return on Investment

How much you spend to do something

vs.

How much you get from doing it

Measured as percent

What You Need to Know

What's a resident
or home care
client worth to
you?

Rent rate

Care rate

Average length of
stay

Hourly rate

Hours of care

LIFETIME VALUE

Costs associated
with each
resident or client

Or company-
wide operating
margin

**OPERATING
PROFIT**

Fully-loaded
costs for each
marketing
program

PROGRAM COSTS

Formula for Calculating ROI

Customer Lifetime Value (LTV) – Marketing Expense

Marketing Expense

or:

Customer LTV – Operating Expense – Marketing Expense

Marketing Expense

ASHA calculates

- \$77,000 as LTV of IL resident; average IL operating margin of 44%
- \$88,500 as LTV of AL resident; average AL operating margin of 31%

Caring data show

- \$11,000 LTV of private-duty home care client

Marketing ROI Calculation (AL Example)

Average Monthly Rent \$4,000
Average Monthly Care Charge \$300
Average Length of Residence (in Months) 18

Lifetime Value of Resident \$77,400

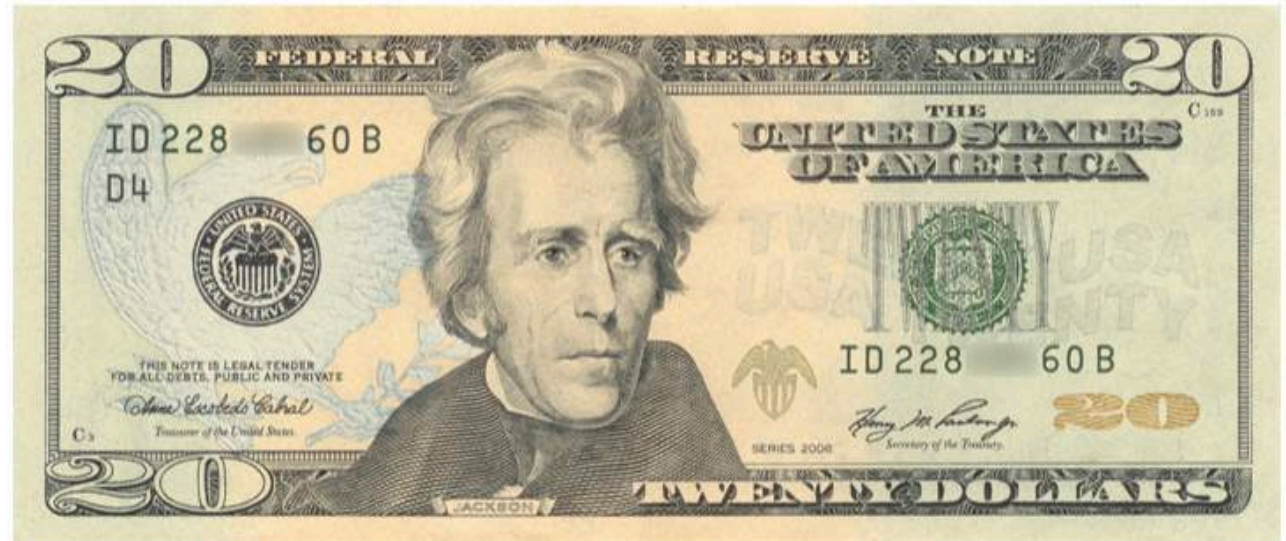
FORMULA: $(\$4,000 + \$300) \times 18 = \$77,400$

Referral Agency Percentage 85%
Cost of Referral $(\$4,000 + \$300) \times 0.85$ \$3,655

Return on investment 2018%

FORMULA:
 $\frac{\$77,400 \text{ LTV} - \$3,655 \text{ referral expense}}{\$3,655} = 20.18$ or 2018% ROI

Reality:



ROI Calculation: Profit

Average Monthly Rent	\$4,000
Average Monthly Care Charge	\$300
Average Length of Residence (in Months)	18
Average Operating Margin	31%

Lifetime Profit from Resident **\$23,994**

FORMULA: \$77,400 LTV x 31% profit margin = \$23,994 profit

Referral Agency Percentage	85%
Cost of Referral	\$3,655

ROI Profit ONLY **556%**

FORMULA:

$$\frac{\$23,994 \text{ profit} - \$3,655 \text{ referral marketing expense}}{\$3,655} = 5.56 \text{ or } 556\% \text{ ROI}$$

Reality:



What If A Resident Moves Out?

Referral Agency Percentage	85%
Cost of Referral	\$3,655
Lifetime Value of Resident	\$77,400
Average Operating Profits	31%

Number of referrals staying 18 months	4
Referrals who stay 3 months	1

LTV of referred residents **\$322,500**
FORMULA ($\$77,400 \text{ LTV} \times 4$) + ($\$4,300 \times 3 \text{ months}$) = \$322,500

Referral fees **\$18,275**
FORMULA: $\$3,655 \text{ referral fee} \times 5 \text{ referral fees paid} = \$18,275$

ROI on Profit from all referrals **447%**
FORMULA
$$\frac{(\$322,500 \text{ LTV of all referrals} \times 0.31) - \$18,275 \text{ referral fees}}{\$18,275} = 4.47 \text{ or } 447\% \text{ ROI}$$

Calculating Marketing Costs (Home Care)

Annual home care subscription	\$1,600
Referrals per year	24
Calls required per referral	3
Cost per call	\$12
Conversion Rate	16%
Lifetime Value of Client	\$11,000
Profit margin	25%

Total Marketing Cost **\$2,464**

FORMULA: $\$1,600 + (24 \text{ referrals} \times 3 \text{ calls} \times \$12) = \$2,464$

ROI (for 3 clients/year) **328%**

FORMULA:

$$\frac{\$11,000 \text{ LTV} \times 0.25 \times 24 \times 0.16 - \$2,464 \text{ marketing cost}}{\$2,464} = 3.28 \text{ or } 328\% \text{ ROI}$$

It Even Works for One Client

Annual home care subscription	\$1,600
Referrals per year	24
Calls required per referral	3
Cost per call	\$12
Lifetime Value of Client	\$11,000
Profit margin	25%
Total Marketing Cost (calculated earlier)	\$2,646

ROI (for 1 client/year) 11%

FORMULA:

$$\frac{\$11,000 \text{ LTV} \times 0.25 - \$2,464 \text{ marketing cost}}{\$2,464} = 0.116 \text{ or } 11.6\% \text{ ROI}$$



ROI vs. Other Marketing Programs



Least cost:
keep your
current
residents!



Next: word-of-
mouth referrals



Professional
referrals



What about your
own web site?

- Cost of content
- Cost of SEM clicks
- Cost of screening the leads

Revenue- Highest Return In The Last Units To Fill

(85% - 100%)
The Profit

75% - 85% Marginal
Profit (variable costs)

(covering fixed costs) < 75% Occupancy

Lost Revenue

Calculating the cost
of an empty bed

The Other Side of ROI: Lost Revenue

- Lost revenue is the amount of money lost when a unit/bed remains unsold and vacant
- Units/beds can be left vacant for a variety of reasons: poor sales, inefficient marketing, not rent ready, converted to other use
- You cannot re-capture the revenue once it is lost because it is time sensitive (daily charge)
- Sales and Marketing is responsible to meet revenue goals *not* occupancy goals

Why Is It Important To Calculate Lost Revenue?



Why it matters and why we don't do it:

- Focus on *budgeted* occupancy numbers
- Focus on underperforming communities, not the entire portfolio
- Month to month occupancy focus vs. annual year-to-date occupancy focus
- Speaking the language of operations

Calculating Lost Revenue (Housing)

Total Potential Occupancy – Average Daily Census
Multiply by Average Daily Rate
Multiply by Days in the Month
= Lost Revenue

Calculating Lost Revenue

Step 1: Calculate Average Daily Census

Community Units	100
Days in the Month	31
Total Days that the units are occupied	2,640
Average Daily Census	85.2

FORMULA: $\frac{2,640 \text{ days occupied}}{31 \text{ days in the month}} = 85.2$

Calculating Lost Revenue (continued)

Step 2: Calculate Average Daily Rate

Total Units	100
- Studios	40, at \$100 per day
- One Bedrooms	50, at \$125 per day
- Two Bedrooms	10, at \$150 per day

Total Daily Value **\$11,750**

FORMULA: $(40 \times \$100) + (50 \times 125) + (10 \times 150) = \$11,750$

Average Daily Rate **\$117.50**

FORMULA

$$\frac{\$11,750 \text{ Total Daily Value}}{100 \text{ Units}} = \$117.50$$

Calculating Lost Revenue (continued)

Total Potential Occupancy – Average Daily Census
Multiply by Average Daily Rate
Multiply by Days in the Month
= Lost Revenue

100 units – 85.2 average daily census = 14.8 units vacant on average

14.8 vacancies x \$117.50 average daily rate = \$1,739 lost revenue/day

\$1,739 x 31 days = \$53,909 lost revenue per month

Using Lost Revenue Calculation To Drive Marketing Strategy



- Strategy to off-set seasonal patterns and trends
- Using lost revenue calculations to support sales concession strategies
- Justifying cost of third party services to drive marketing strategy and sales

Lost Revenue for In-Home Care

- Less critical than for housing, due to higher variable costs and lower fixed costs of agency
- Elements to consider:
 - Care providers: Full utilization (4 work hours vs. 8 work hours)
 - Geographic elements: Drive time (if clients are spread out)
 - Management costs: Is the overhead worth it if a client wants only a few hours of care?

Q & A

Caring Stars – America’s Best Assisted Living

- **Consumers’ Choice Award – Recognizes service excellence based on ratings and reviews from residents, families, experts**
 - Assisted Living & Memory Care
- **Entering 4th Year – Winners Announced Every January**
 - 2012: 120 winners in 24 states
 - 2013: 383 winners in 40 states
 - 2014: 405 winners in 38 states
- **National, local, social, trade promotional campaigns**
- **Listing/website badge**
- **Lobby items & more!**



“This honor shows us that we are doing exactly what we set out to do with each of our communities: positively impact the lives of our residents, families and employees, every day.”

–The Carillon at Boulder Creek



Next Webinars Presented by Caring.com

“So You Want to be a Caring Star”
Nov. 7, 11 AM Pacific

“The Power of Social Media in Senior Care Marketing”
Nov. 20, 11 AM Pacific

Thank You!

Please send your feedback to
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A link to this presentation will be available to attendees within the next two days. Look for an email from **Caring.com**.