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Marketing budgets as easy as 1, 2, 3

Budget time often becomes a tug of war between marketing and management. Marketing wants more resources while management is looking for ways to cut budgets. With proper tracking and strategic planning, your marketing department can develop a realistic budget based on sound rationale.

Determining a marketing budget is not just about looking at last year's budget and increasing or decreasing it. It is about understanding where your leads are coming from and what the cost of those leads are as well as the number of vacant units you have to sell. Solutions Advisors has developed three simple steps to help you develop a sound marketing budget this budget season.

Step 1

First, establish a move-in goal that is achievable yet puts occupancy at a desired level. Your annual move-in goal should consider your historical attrition (move-outs) rates so that you can calculate the number of **gross move-ins** needed to meet your goal.

EXAMPLE

Net Occupancy goal = 30 / Historical attrition rate = 12

Gross move-ins = 42 (30+12)

Step 2

Next, review the leads from the prior year and determine your **inquiry to move-in ratio**, in other words, how many leads will you need on average to reach your move-in goal?

EXAMPLE

Last year total number of inquiries = 900 / Total number of move-ins = 36

Inquiry to move-in ratio = 4% (36/900 = .04)

Step 3

Now, calculate your **cost per lead** needed to get a general sense of what your marketing budget should be, based on historical information.

EXAMPLE

Number of inquiries = 900 / Direct marketing expenditures = \$400,000

Cost per lead = \$444 (\$400,000/900)

In order to reach 42 move-ins for the year at a 4% inquiry to move-in ratio, you would need on average 1,050 leads over the year (87 per month). At a cost per lead of \$444, that would generally equate to a \$466,200 direct marketing budget for the year.

If the general budget exceeds what is acceptable, you need to look at the factors impacting the budget. For instance, maybe the focus is on increasing key conversion ratios instead of the

number of leads. Improved sales training, more effective follow up or more strategic or targeted messaging could improve the inquiry to move-in ratio.

Review your budget and cost per lead quarterly to determine what strategies worked well and which ones did not. Was the billboard placement cost effective? Did the television ad pull in qualified leads? This will help you make better choices in the future to reallocate line items or eliminate unnecessary or ineffective items.

Developing a marketing budget is both a science and an art. Tracking and measuring key indicators such as number of inquiries, move-ins, move-outs, cost per lead, etc., will lead to a more logical and realistic budget process. And, because it is based on historical data with measurable goals, your marketing budget is more likely to gain acceptance by management.

To learn more about Solutions Advisors and our full portfolio of services, please visit www.solutions-advisors.com or call 888-312-0889.

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