The trend toward deinstitutionalization as a cost-cutting initiative, a need for alternatives to subacute care, and a growing elderly population all have fueled the burgeoning assisted-living facilities market in the United States.

In fact, an assisted-living facility (ALF) can cost consumers as much as 35% less than a traditional skilled nursing home. And for individuals who need the subacute care of a nursing home, an ALF can provide an environment with assistance and selected daily activities. An ALF also can serve as a transitory care alternative, enabling individuals to move from their own residence to an ALF to a skilled nursing home. In addition, ALFs are positioned to serve the expanding needs of the elderly. The number of Americans older than 65 is rising rapidly, according to the U.S. Census Bureau, and those older than 85 represent the fastest-growing segment. This demographic trend presents continued opportunity for the ALF industry.

We conducted a study to help marketing professionals better understand how potential tenants view assisted-living facilities and how they make their purchase decisions. Overall, we found that a certain marketing approach should be used to market an ALF to people age 55 and older seeking such a facility for themselves, while a different marketing approach should be used to promote such a facility to people under the age of 55—consumers most likely seeking an ALF for their parents or other relatives.

The Study

For our study, we used members of the Arkansas Household Research Panel (AHRP), which consists of households in Arkansas communities with populations of 5,000 or more. We recruited households according to a proportionate, stratified, systematic, random sample based on the Arkansas State Planning Regions. Households gave their consent to be included in the panel. Those deciding to participate and who subsequently responded to the study’s quarterly mailings were entered into a lottery for a small gift certificate as an incentive. Panel members who didn’t respond to three consecutive, quarterly mailings were deleted from the panel.

The concept of an ALF was briefly introduced to respondents and described to them as an apartment-like complex in which health care services are available. Also included in the description were services for residents such as bathing, grooming, dressing, medication supervision, housekeeping, laundry, and meals.
Survey respondents were asked how many times they had visited an ALF, if they had a relative or friend living in an ALF and, if so, how long that individual had resided there. Respondents’ knowledge of assisted-living facilities was measured from “extensive” to “none” based on a 5-point scale. To evaluate the potential resident’s medical condition, the respondents were asked how many times the elderly person in mind had been hospitalized over the previous five years. A similar question was posed to measure how many major medical problems that individual had experienced during the previous five years, and whether a spouse had died during that period. To measure purchase intentions, respondents were asked about the likelihood of moving into an ALF in the near future, and their answers were based on a 7-point scale.

A total of 430 questionnaires were mailed, and 279 were returned for a 65% response rate. Of the respondents, 81% were married, and 19% were single or widowed. Also, 62% of the respondents were females. The age of respondents ranged from 33 to 83 with a mean age of 58 years. Respondents’ household income levels ranged from $3,500 to $250,000 with a mean household income of $42,278.

**Key Findings**

Because of differences we found in the decision process between individuals 55 and older and those under 55, we examined the data from both perspectives. During our examination, we quickly saw that these two categories create the need for a significant difference in how the marketing plan is developed. For example, we saw that a consumer’s attitude toward an assisted-living facility was critical in the decision process for individuals older than 55, but not a factor for individuals under 55. The decision seems to be driven by the needs of children or close relatives of the elderly. Hospitalization or a deteriorating medical condition forces them to address the issue of long-term medical care, not a positive attitude toward an assisted-living facility.

For individuals 55 and older, however, the purchase decision is driven by need—not attitude. Because they feel they cannot adequately care for themselves, these people see an ALF as a feasible option. Our results indicate that the elderly person may not actually want to go to an ALF but may choose it as an option because of his or her deteriorating health, and that they are more likely to choose such a facility if they visit one.

The most perplexing finding of this research was the role of knowledge of an ALF in the purchase-decision process. The inverse finding was especially perplexing. However, previous research and further analysis of the data do provide some plausible reasons for this finding. Nearly 21% of the sample indicated having no knowledge of assisted-living facilities. This percentage increased to 25% for the under-55 group. When the group that had no knowledge of an ALF is added to individuals who indicate they have very little knowledge of assisted-living facilities, the percentage rises to nearly 58% for the whole sample, and nearly 66% for those under 55. Only about 11% of this study’s sample indicated having considerable or extensive knowledge of an assisted-living facility. For the under-55 group, this percentage drops to about 9%. The fact that the majority of the respondents had no or very little knowledge of an ALF may have contributed to the inverse relationship found between purchase intentions and knowledge.

It is possible that only those who indicated they had extensive or considerable knowledge of assisted-living facilities actually understand the services provided by them. If this were true, and individuals who indicated they had very little or some knowledge of ALFs actually had knowledge that was incorrect, then approximately 90% of the sample had no knowledge, incorrect knowledge, or incomplete knowledge of them. It is possible that respondents saw assisted-living facilities as nothing more than nursing homes. Such lack of correct knowledge or presence of incorrect knowledge could be the primary contributory factor for the inverse relationship with purchase intentions.

The inverse relationship from knowledge to purchase intentions for the 55-
Marketing an Assisted-Living Facility

Marketing an ALF requires a two-pronged approach: one marketing plan for individuals 55 and older who would be looking at long-term health care needs for themselves, and another for individuals under 55 who would be looking for long-term health care options for a parent or relative. According to marketing experts Terrence Shimp and Richard Lutz, marketing to the under-55 group would require a more traditional approach that takes the potential customer through the procession of cognition to affect them to action. The first step should be to encourage these individuals to visit an ALF. They will be more inclined to visit if they have a relative currently living in an ALF or if their relative or parent has recently developed medical problems. Therefore, a logical starting place would be to market to individuals who are visiting current residents. Astute administrators will watch for visitors and make a concerted effort to become acquainted with them. This also will give them an opportunity to get feedback on the quality of service being provided to the resident.

The second step is to provide information. Visiting is not sufficient to promote a positive attitude towards an ALF because the visitor only will view the facility through the eyes of the resident. Providing information about all of the services available to guests will enhance the understanding of what services are available. Developing a positive attitude toward the ALF should increase with additional knowledge. If the administrator detects that a visitor has another relative or friend who has developed medical problems, a more concerted effort should be made to provide information.

Marketing to the 55-and-older group requires a different approach. Providing information to individuals of this age will not necessarily result in a more positive attitude toward assisted-living facilities or the desire to purchase ALF services. Because individuals in this group are resistant to change and often feel they don’t need assistance, persuading them to visit an ALF is extremely important. To locate this group, ALF marketers should monitor hospitals and physicians for individuals who have been hospitalized or who have developed deteriorating medical conditions. Providing these individuals with the opportunity may prove beneficial later, when they realize they must have assistance with their daily life.

Strangely, providing information about the services of the ALF to guests visiting residents appears to not be a good strategy if that guest is 55 or older. It could be that these individuals don’t want to face the reality that they may someday need assistance with their daily living. Only when these individuals develop medical problems or have been hospitalized should they be approached. Again, information may not be as critical as inviting them to visit the ALF to see if the facility would meet their needs.

Because many people refuse to admit they need assistance with daily living tasks, marketing an ALF will require a more specialized approach. It’s important to keep in mind that a different approach should be used for individuals 55 and older from one used for people under the age of 55. In targeting those older than 55, marketers must locate the individuals who need medical assistance. In targeting those younger than 55, marketers must provide abundant information and persuade them to visit an assisted-living facility to help them develop positive attitude that can lead to a purchase when the need arises.

Additional Readings

