MARKETING ECH: WHO DARES WINS?

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Headlines

-February 2009 circa 42,000 units of ECH developed or under construction

-Assuming for underestimate and WIP we are now closer to 50,000

- Valued at £200K each, an estimated stock value circa £10billion

-Value of the total English housing market 2008 was £5.2 Trillion

- 75% of 60 largest providers delivering HWC have less than 10 developments

- Investment by the Dept of Health 2004-2010 = £247million

- Demographics are favourable but market penetration is low

-Key factors are *philosophy* (raison d'etre, policy, values; choice); *market* (demand and provision); *resources* (funding and land); *process* (commissioning, planning, delivery); *awareness* (knowledge and marketing); *take-up* (credit crunch, stasis, financial options)

ECH as a *Market*

- Long term care is a *market*. Distribution, allocation ,take-up of care influenced by characteristics found in markets generally, namely:
- The reconciling of supply and demand
- The allocation of care as a commercial transaction and
- The incidence of profit, or social capital in the case of not-for-profit orgs
-Deficits exist where providers choose not to provide or scale/delivery are unviable

In this market consumers *compete* for the goods and services available (accommodation and care) primarily because they are effectively *rationed* by:

- A dysfunction between supply and demand (lack of volume)
- Uneven distribution of the care available (ad hoc geographical coverage)
- Affordability (put out of reach by cost of delivery and resulting price)
- Awareness – of the concept/structure of ECH
- Market intelligence -varying knowledge of goods and services available and where/how to access
-Barriers to access - lack of connections with the supplier; lack of a (non DH)'champion' to press the interests of the (frail) consumer; inefficiencies/ charging criteria of suppliers that escalate costs; admissions/engagement criteria which thwart some consumers

What we are dealing with in the extra care market – like virtually all others - is *imperfection*.

Social Service or Commercial Proposition

-Perception of ECH as a *social good* - Implies an ethical element to distribution

- But it is a *commercial business* driven by investment and profit on the one hand and a combination of social philosophy and the need for public resource efficiencies on the other

-Commissioners need to ensure that ECH is *value for money* and *more cost-effective in the long term than residential care* . Assess/invest/support the *best* option?

-Private providers need *profit* to lock in shareholder s and to stay in the game

-Not-for-profit orgs need to achieve a '*surplus'* to enable them to meet social and philosophical goals, uphold value frameworks and continue to expand provision

-Perception of ECH as a *public service* is misplaced. Many providers and large parts of the ECH 'infrastructure' such as land, labour, investment, construction , services, care are intensely *market driven*

-**Investors don't invest and providers don't provide out of a sense of moral responsibility** – Even for DH

Market Factors

-Most forms of housing with care are defined by a degree of *exclusivity*

-Access to products /services structured and filtered by certain qualifying criteria.

-Eg. an age-qualification imposed variously for needs, allocation and management reasons or a planning condition eg Section 106

-May be entrenched further by policy objectives and by funding programmes

Other criteria also apply and may vary according to:

- local planning conditions;
- the aims and values of the provider (eg the not for profit sector)
- the design and size of the development
- the scope of services available
- regulatory requirements; and
- in the case of public and not-for-profit providers a requirement to meet the needs of specific vulnerable groups or particular localities.

One Size Fits All?

-Existing patterns of provision reflect the desire for choice and diversity

-The disparate origins, values, aims and objectives of providers; their coverage and catchment; the development requirements and the funding and income models evidenced in the activity of providers across all three sectors militate against one size fits all

-On the face of it this looks desirable and healthy – but our study suggests that marketing strategies and activity may be inefficient and may add to confusion

-**Some would- be providers simply cannot get into the market – this position may be worsening and may undermine growth and choice**

Barriers to Entry

We identified a number of barriers to entry to the ECH market:

-Knowledge of the market and of needs

-Expertise and experience

-Access to development finance

-Requiring a track record –profitability

-Availability of private capital to secure institutional match funding

-Access to Commissioner funds

-Viability of local partnerships

-Ability/capacity to scale activity

-Land ie suitable sites capable of winning consent

-The planning process - an increasingly problematical area

-Brand awareness –the need to be 'known'

-Permeability of the concept of extra care housing

- Credit –ability of consumers to transact and providers to trade

Awareness of Extra Care Housing

- Awareness of/ willingness to embrace ECH is still significantly lacking

-Rural provision, special needs and BME extra care housing solutions

-Alternative scale, service and technology models still in infancy

- The concept remains unfamiliar to many older people and their families; -

-Where it *is* known the proliferation of descriptions and models of 'housing with care' can be a source of confusion – even for professionals and LAs

-Some marketing may *complicate* rather than illuminate the EHC 'offer'

-Conundrum - if awareness is increased exponentially -the sector might simply *not be able to cope* given high latent demand, low supply, the need to find suitable sites, secure planning consents and to commission and fund development

-followed by long lead times to deliver the new stock.

Where can we Improve Awareness?

- Sometimes the most surprising lack of awareness is within LAs

-Some private developers compound this confusion by ‘tinkering’ with conventional retirement housing models , sometimes in planning applications, presenting it as ECH *when clearly it is not*

- Very limited involvement of private providers in the development of and integration with local authority ECH strategies is a key weakness

-Some local authorities are ‘adversarial’ towards the private sector –ECH solutions mat therefore be *partisan - too few explore needs, resources, partnering opportunities and new forms of delivery in the round*

-Few LAs involve the private sector in Local Area Agreements as part of their extra care strategy. Private providers meanwhile rarely make an effort to understand the needs/aims/constraints of LAs and to adapt their ‘offer’ to accept these. **Yet the future may be increasingly ‘shared**’

Where Are We Heading?

-Our study suggests we are moving towards a '*mixed economy'* of ECH

-It is increasingly likely to be characterised by a *choice* of tenure and a *range* affordability *within* the same development, **regardless of provider**

-It won't happen on every development, but it *will* happen far more often

-Some private providers are now edging towards *mixed income communities*

-**A more flexible stance on partnership and diversification is the way forward**

-Recession will accelerate this as 'temporary' devices such as 'try before you buy' 'rent to buy' and graduated 'shared ownership' prove their worth /attract a market

-**We will see them embed as *permanent* ECH options**

Scale as a Barrier

-Increasing scale of ECH has raised barriers to entry in two main ways

(1) The combination of scale, recession and inactivity in the housing market increases the *difficulty of institutional borrowing* in the foreseeable future **and** *increases financial exposure* on developments not fully sold or let and on commitments to work in progress.

(2) The tendency to larger development *can price smaller entrants out of the market* and limit, by dint of comparison, *their* bids for institutional funding – banks and investors are more risk averse

- **The most likely survivors in the private and not-for-profit sectors will be the larger players with a solid record of financial provenance, demonstrable expertise, a wealth of experience in development, sales and management and a 'risk contained' game plan for the next 5 -10 years.**

Coverage and Market Penetration: What We Found

Key reasons why provision is patchy, scarce ,or non-existent in some areas:

- Geography and demography
- Housing densities and property values
- Availability of suitable sites
- Local planning conditions/ support of planning officers/committees
- Cultural, community and ethnic considerations
- Quality and availability of housing needs information
- Whether the local authority has a *dedicated* ECH strategy
- *Influence of key professionals* in promoting and implementing it
- *Drive and political will* of commissioning and partnering organisations
- Incidence locally of providers (all tenures) *actually interested* in ECH
- Attitude of lenders and access to development finance and grants
- Strength of community interest and 'advocacy' networks
- Ultimately the 'awareness' of extra care housing and the proximity of useful comparators to draw support from in making the case for provision locally

Illuminating or Confusing the Consumer?
Responses included the following 16 variants of ECH:
- *Housing with care*
- *Housing for people requiring assistance (*with day to day living)
- The help you need in a *home of your own*
- *Living independently* (for as long as you possibly can)
- *Supported living*
- *A 'Home for Life'* (with round the clock professional help)
- *Care Suites (*with right of tenure –rent or lease)
- *Sheltered housing with a dedicated care team*
- *Independent Living with Care*
- *Apartments for Mature Purchasers (*with 24 hour on site care)
- *Bespoke Care*
- *Assisted Living*
- *Close Care and Extra Care*
- *Serviced Apartments*
- *Very Sheltered Housing*
- *Community Healthcare Hub*

Process and Targets

Marketing is more holistic and wide-ranging than generally realised. For many providers, the marketing process begins **not** with the consumer but with a range of stakeholders deemed *integral to the realisation of an ECH project*. When asked, '**other than customers and their families who else do you market to**' respondents listed:

local commissioners	the planning authority
influential healthcare /hospital professionals	local community (at large) and neighbours of the proposed site
local authorities	clubs and societies
adult care teams	advocates for older people
primary care trusts	Investors, banks, shareholders
Social services (generally)	Business with CSR strategies
GPs and Community Nurses	Solicitors , accountants

Influencing Stakeholders

Providers: Need to base marketing on *a detailed knowledge of the process and philosophical context* in which budgets are actually arrived at

- Importance of understanding the ***commercial emphasis*** of ensuring that ECH is seen to be more cost effective than residential care

-Some providers don't understand commissioning, some don't do their homework

Commissioners: The knowledge of ECH on the part of commissioners varied significantly according to individuals and teams and between authorities.

-Some are not convinced that ECH can deal with the needs of very frail people

-Some favour care packages delivered at home in the community.

-Some providers emphasised the importance of convincing commissioners to treat older people as '*consumers'* rather than as the frail elderly.

-Some urged commissioners to embrace tenure and capital development realities.

Playing Safe: Commissioners can be 'too safe' and must be authorised and supported to take risks across the provider 'market' to move the supply chain forward.

-We were told that many commissioners have never set foot on an ECH development and that when they do there is often a transformation in their approach.

- **Some providers - "*there is a significant and ongoing marketing challenge here*"**

SPECIFICS - WHAT DID WE LEARN

Describing Extra Care Housing

- Product differentiation (schemes/models/services) is important in *all sectors* and not to be underestimated.
- It is unlikely to be surrendered so a *universal* description may need to be bolted on to corporate packs.
- Public, media, elected members and some local authority professionals, notably planners and housing officers, remain confused by the term *extra care housing*.
- Some providers *reject it*. Some commissioners have never viewed a completed development.
- A more aggressive /sustained effort via LAsand PCTs is required to get key professionals , decision-makers and opinion leaders *to visit finished schemes*.

The Market

- ECH is a '*market*' and subject to market principles.
- It is so far **not** a wholly effective means of meeting the needs of vulnerable people.
- Penetration is low despite major DH pump priming.
- Recession may slow the pace of development at a time when supply is significantly out of synch with latent and varying need
- **Intervention may be necessary to protect gains made to date and to expand future supply**

Barriers to Entry

- Expanding supply is compounded by barriers to entry – funding, low lender confidence, inability of purchasers to sell properties, the rising scale and complexity of developments, planning delays, the need for expertise and an ability to take a 'long view'.
- This means issues of supply will in the private and not for profit sectors largely have to be addressed by *existing* providers.
- New entrants into these sub-sectors are currently few – but our perception is that 'specialist' players and some house builders keen to explore new markets *would* enter if the investment, planning and regulatory framework were more encouraging
- *The potential role of long term pension/institutional funds particularly in taking a long term view that would reduce financial pressures on new entrants and which might support a new ECH rental product has not been adequately voiced or investigated.*

Awareness

- Barriers to entry compund lack of awareness and understanding
- This may be a factor in the slow pace of development and expansion
- Neutral (*non corporate*) information on ECH needs to be *conveyed in a large scale way to the general public.*
- The use of a range of terms to describe housing with care is understandable commercially but may contribute to this lack of clarity

Marketing Mix

- **Marketing reinforces the interests of the mainstream** but largely overlooks the special needs of certain groups
- It is important that the background and expertise of care staff is now coming through in marketing teams and strategies
- Market research is basic. Information should be shared and disseminated freely by public agencies to encourage ECH
- The most effective marketing is '*localism*'
- Initiatives in areas like CSR, use of research, data-banking and community networking are rudimentary and should be shared and widened
- There is a strong consensus that off –plan marketing is **not** the way to do business; strategies are more successful where older people meet with dedicated staff and develop a relationship
- **Staff with care backgrounds have a key role to play in marketing**

Commissioners and Local Authorities

- LAs must improve research on the needs of elderly people locally; there appears to be a material deficit in the scope and detail of housing with care strategies. ***Often they simply do not exist***
- Respondents suggest that the performance of local authorities in this area can be very uneven and may hinder development
- In some authorities knowledge of ECH is significantly lacking
- There is an emerging opportunity for Commissioners to take a progressive lead in exploring partnerships with private providers
- Commissioners should be a primary conduit for channelling information on ECH to their local communities

Coverage and Inclusion

- ECH coverage is very uneven – between districts, providers and tenures.
- Many local authorities have very low levels of provision of any sort. They should be identified and pressed to improve their coverage.
- Marketing and development programmes may reinforce 'marginalisation'
- Special needs providers are few but may be source of innovation
- Market penetration remains low and is likely to be exacerbated in the short term by recession; rural coverage is poor; given density and land constraints it *requires a new and reduced scale/new form of ECH – probably 'small group living' and telecare driven*.
- There are clear frustrations in respect of BME provision but **we saw no substantive evidence that this will be resolved other than by government (central and local) -taking a lead.**

Intelligence

- While there are notable exceptions, much market research/intelligence is limited and guidance may be required through publications and workshops to help providers shorten the learning curve
- Dissemination of best practice and learning media might be best achieved through workshops and direct meetings and networking and programmes of visits to successful or innovative schemes
- **The sector needs some 'Best Practice Champions'**

PR/Media

- For providers, the key target is the local media. Some exploit it effectively. But many do not
- Again, help in working through and populating a media/PR strategy for providers (and possibly for commissioners also) would be valuable
- The media should be used increasingly to **promote the concept of ECH** rather than as a limited medium for sales. *This requires a national lead*

Literature

- Generally, marketing literature is good to impressive
- But there is a predominance of information and bias in favour of buildings and facilities *rather than ethos, care, and how future needs are met*
- More is required on staff, professionalism, philosophy, values, community, independence and the needs of couples

Economy

- Few providers convey the wider economic benefits of ECH and the building of social and community capital
- The role of ECH as a *regeneration vehicle* is underestimated
- Providers should detail and highlight employment and procurement benefits and *their* capital investment and spend in the local community
- LAs should ***actively assist*** in providing relevant information

Planning

- Planning is becoming more complex and determination is taking longer and longer
- This affects investment and delivery of supply
- Although ECH developments are increasing in scale and complexity there is still a sense of DIY in the sector
- Providers need to ensure they have access to expert planning advice and that they also plan strategically for the longer term and not just *ad hoc* by site
- Improvements to the planning system are necessary and overdue

Recession

- Recession had not resulted in any provider we contacted turning their back on ECH and walking away
- A few were slowing development for sale and some public sector providers were deferring but not abandoning projects
- Conversely, a number of LAs were now entering the market with enthusiasm
- **An unexpected buoyancy about the long term prospects of ECH**
- Some private providers are struggling to secure development funding for sites on which they have consents –many are being sold for mainstream housing
- It is important that government understands their needs and explores ways in which it may help to prevent potential loss of supply and failure of the provider

Flexible Take-Up

- The recession has had some positive effects
- New tenure, financing and service arrangements should be monitored and assessed over the next 12 months as a means to improve take-up and to recalibrate the structure and offer of some ECH communities
- There is evidence of a mixed tenure/mixed income approach taking hold out of necessity –*but could this be the basis for the development of new progressive clusters of housing with care*

Outreach

- Providing facilities, services and staff which can be deployed in the community to those unable or unwilling to make the move to an ECH development looks increasingly likely
- It is certainly a means of securing income, achieving economies of scale, keeping staff in employment, meeting an evident need
- It increases awareness of the development and builds interest and waiting lists
- One consequence of the inability to sell existing properties is that many older people will have to stay put
- This situation will also be consolidated by new Lifetime Home arrangements from 2011.
- There could be a rapid expansion in domiciliary care in the community. ECH providers should be alert to this and compete through an outreach model

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Nov 19th 2009