Holiday Retirement

Revenue Management Delivers Significant Revenue Lift for Holiday Retirement

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Agenda

- Introduction
- Challenges
- Model
- Benefits

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Introduction

- Holiday Retirement targets the $315 billion industry of providing senior-living facilities to the grey wave population which is estimated to be around 71 million by 2030.
- It collaborated with Prorize to build new methodology to determine new pricing model called Senior-Living Price Optimizer
- Holiday has approximately $1 billion in annual revenue and operates over 300 communities comprising 40,000 apartments in 43 states.
- It is organized into four districts and 25 regions. The company has 12,000 employees, including a sales staff of approximately 350.
- Holiday is the second-largest senior- housing operator and the first company to use operations research and analytics to determine the pricing methodology in this industry.
- Holiday increased its revenue; customers were satisfied, and the time taken by sales officers to negotiate with customers was also reduced.

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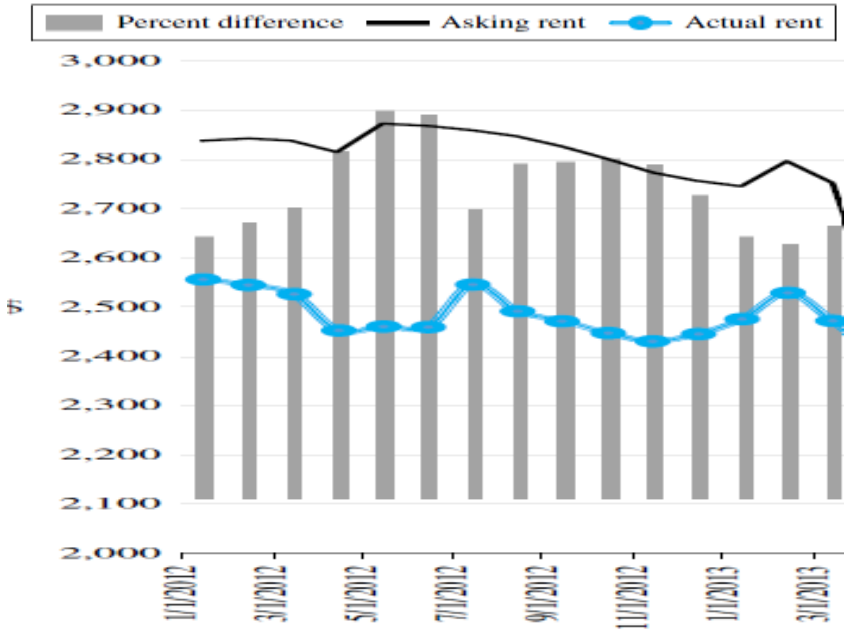
Problem

- Ask price and actual price gap
- Different units and amenities
- Reactive pricing
- Price negotiation



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Objective

Identifying prices levers and constraints which represent the Holiday business

Actions

Data cleansing

Data transformation

In depth data analysis

Output

- **Business validation**
  - Rent outliers
  - Net effective rents (including discount and incentives impact)
- **Price levers**
  - Unit attribute analysis
  - Amenities valuation
  - Size

Objective

Developing a model to optimize revenue using prices as decision variable

Actions

Normalize prices (decision variable)

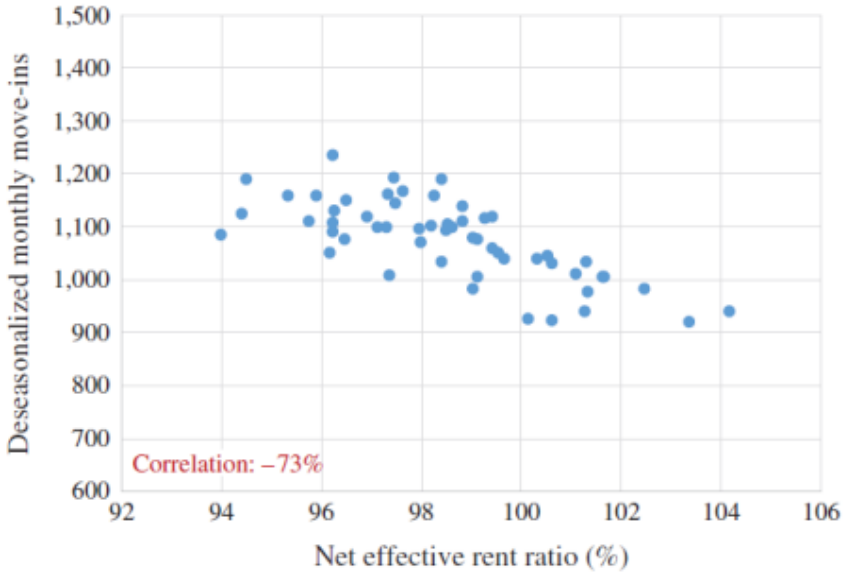
Sensitivity in demographics and property attribute

Demand forecasting

Amenity type	Value ($)	Description
BATHROOM	25	BATH OFF BEDROOM
BATHROOM	25	STANDUP SHOWER
LOCATION	0	1st FLOOR
LOCATION	75	DIRECT OUTDOOR ACCESS
LOCATION	100	SAME FLOOR AS DINING
PATIO/BALCONY	0	STANDARD PATIO/BALCONY
VIEW	−25	PARKING/GARAGE VIEW
Total amenity value: $200		RM rent = $2,222

Output

- **Net effective rent ratio**
  - Base reference rent / Reference rent
- **Forecast**
  - Unconstrained demand
  - Seasonality
  - Move-in/out forecast
- **Senior-Living Rent Optimizer**
  - Meet constraints



Objective

Developing a model that is sustainable for business and adapt to changes

Actions

Configuration

Recommendations

Review

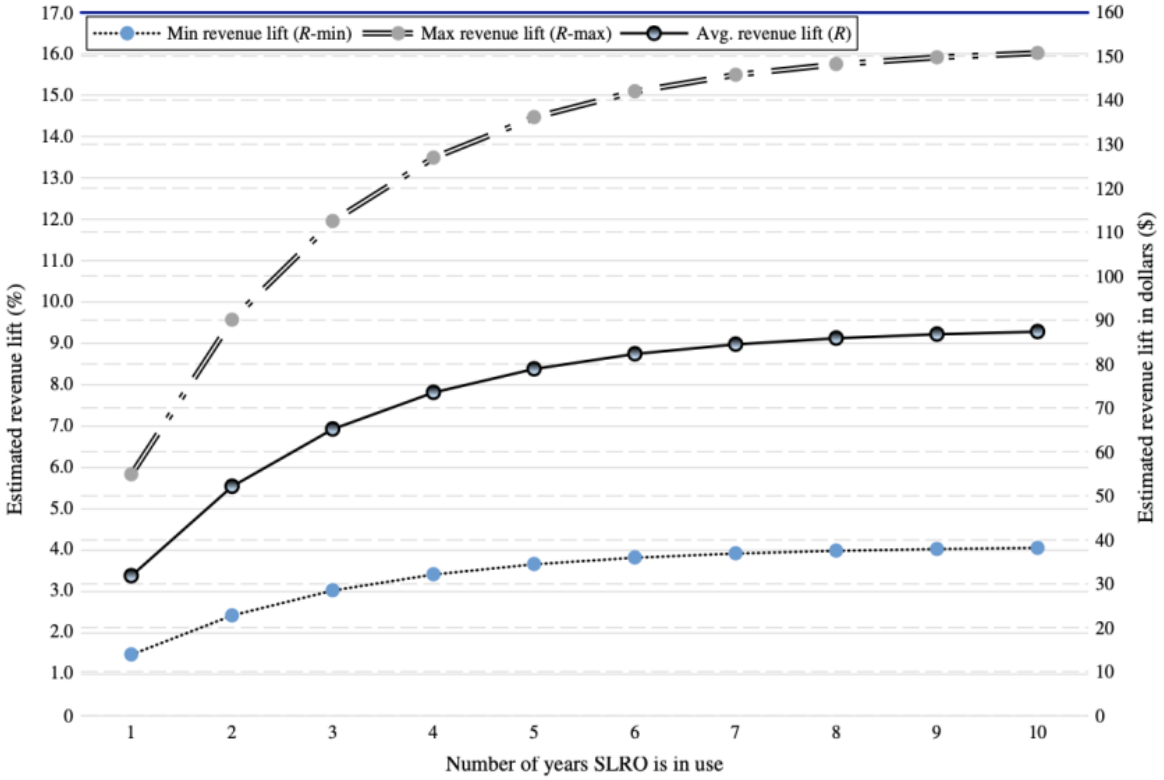
Deploy

Output

- **Understood by users**
  - Configuration and rules aligned to business and accepted
- **Flexible**
  - Allow adjustment for new competitors
- **Sustainable**
  - Updated for market shifts

Impact

- Estimated Impact
- Average revenue lift: 9.3 % per initial 10- year period (2013-2014)
- Total revenue contribution: $84 million after two years of SLRO deployment



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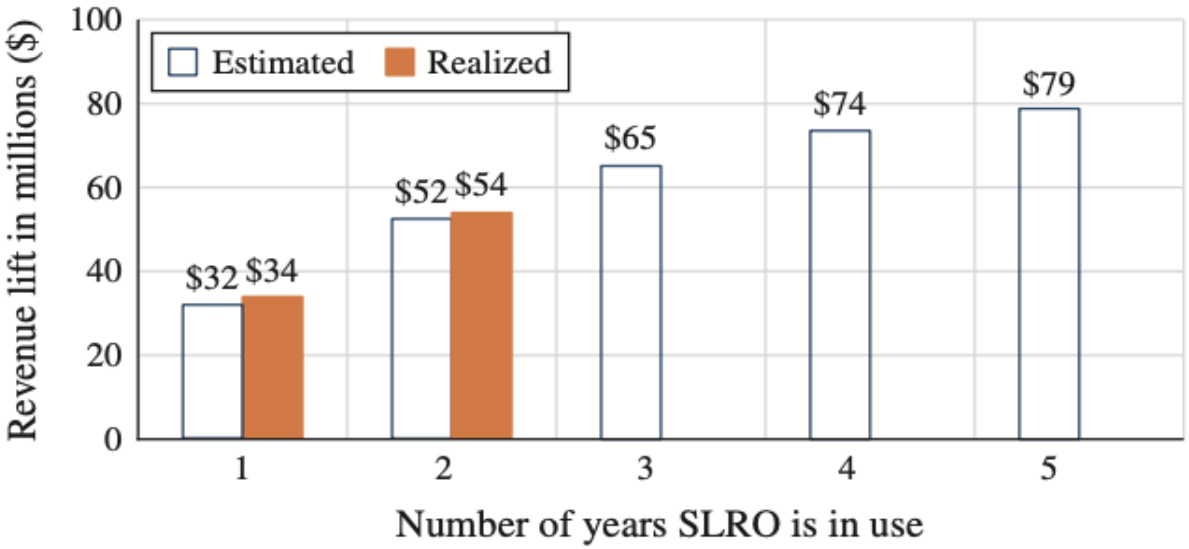
- Realized Impact
- Revenue increased by a total of 5.9% i.e., $88 million dollars in first two years, confirming the estimated revenues.



- Reason partially due to rent growth.
- Average existing resident rent was increased by 0.6 % during the same period.

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- Quantitative Impact

- Revenue Management system enables a consistent and proactive pricing process across the company

- Provides optimal pricing recommendations for each apartment unit in each Holiday community

- Removes the distraction of discounting and price negotiation

- Enables the representatives to focus on selling value

Thank you!

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