



CARROLL[®]

**MULTIFAMILY
MARKETING
IN 2020**

Introduction

The last 10 years in multifamily represented historic returns, challenges and change. The focus on marketing as a differentiator, particularly addressing the massive shifts in how consumers buy, are at the forefront of changes in 2019. At CARROLL, we spent the latter half of 2019 focused on building a scalable infrastructure that allows us to be more agile in our approach and our 2020 strategy positions us as leaders among our competitors. From our perspective, what follows are the 8 most critical areas we believe marketers in multifamily should focus in 2020.



01

Importance of Data

As the market has become more competitive over the past couple years, it has forced Managers to start fine-tuning every stage of the buyer journey. For many, this task happens in an unscientific fashion – relying on a combination of past experience, intuition, and patchwork data. In the multifamily industry, it is extremely difficult to get a clear understanding of performance, much less predict future performance, due to the fact that much of our data is siloed among various platforms and vendors. There is not a central location into which all data flows that makes it possible to accurately identify areas of opportunity. Moving forward, this is the single most important place to invest to gain competitive advantage in multifamily marketing.

At CARROLL, we are centralizing all of our data and building models that allow us to not only pinpoint what is and what isn't working, but it allows us to predict the future marketing performance of each asset. From a marketing perspective, this is our top priority in 2020 – to evolve from reliance on fragmented and siloed lagging indicators to operating on predictive models that account for variables such as price change, submarket competitiveness, budget, seasonality, reputation, employee performance, etc. Armed with all the data, we will be able to say, for example, that based on all known variables, it will cost X to generate Y number of leases. And, we will know exactly at which stage of the buyer journey to make that investment – awareness, lead generation, lead management, or even, closing incentives.

02

Importance of Reduced Fragmentation

In multifamily, the marketing function has traditionally been fragmented, meaning most tasks are outsourced between vendors and different internal departments (the infamous struggle between operations and marketing), and as a result, the ability to effectively and efficiently get all stakeholders, channels, messages, and assets working together toward a common goal is extraordinarily difficult. This fragmentation of marketing in multifamily has caused significant issues in the reliability and accessibility of data, but it also has many other negative effects.

When CARROLL acquires a new community, the marketing team does an analysis of past marketing performance for that asset. Most of the time, we find the same thing: inefficient use of budget that relies heavily on Internet Listing Services (ILSs) and locators while ignoring more efficient channels. This should not be surprising though. Most PMCs operate with very small (or often, non-existent) marketing teams that outsource most marketing tasks: advertising goes to ILSs and locators, call centers aid in lead management, agencies handle creative, etc. With this model, the PMC (and ultimately, the community) pays more on a per asset basis and even worse, removes the PMC from fully understanding what is happening with its marketing – trusting the vendor to do what is right. Put simply, with this outsourced model, no one has their finger on the pulse, either with data or just knowing who is doing what, when.

In 2019, we tackled the early stages of the buyer journey by bringing our performance marketing in house. There were significant cost savings in doing this, discussed later, but it ultimately allowed us to become more efficient with our ILS spend and gather better insights into how prospects are shopping in each market.



In Q4 2019, we started the process of identifying new stages in the buyer journey to optimize, specifically with lead management. We wanted to begin testing different ways to improve our management of leads to drive an increase in visits/tours. Our goal was to see a 10 percentage-point bump in our lead-to-visit ratio across our test properties; we exceeded that goal by in-housing lead management. As a residual effect, most likely because we removed a task from the onsite team, we also saw an increase in our closing ratio as well.

We will continue this process across the portfolio to more closely connect early phase marketing functions like advertising to later phase activities like lead management and closing.

03

The Changing Role of the ILS

Given trends in consumer shopping behavior, it shouldn't be surprising that Internet Listing Services (ILS) are losing traction as destination sites that drive the apartment search. Even with a significant investment in brand building by Apartments.com and Zillow.com's dominance in single family, consumers are looking for the quickest way to get information, and these websites are not changing shopper behavior. As their websites grow, they become increasingly more difficult to use, even as they make updates to aid shoppers in filtering. The volume of options on these sites result in paralysis and add stress to an already difficult process.

However, the primary benefit of the ILS in 2019 is the size of their websites and, therefore, their ability to rank well in search. Few property management companies have the portfolio size that could compete with an ILS in organic search, and those that do, are not strategically focused on SEO. I'm looking at you Greystar. With this in mind, PMCs should think of the ILS as an opportunity to generate awareness, not as a lead driver. Most ILS representatives will tell you that prospects go to an ILS from search, but then return to search to learn more about a community. That is the definition of awareness, so we would be wise to stop grading ILSs on their ability to generate leads and leases and instead measure their effectiveness at working in conjunction with your performance marketing activities to generate leads.

This shift in the role of the ILS should significantly change your strategy for how and when you use them and as a result make your marketing much more cost efficient.

04

The Role Of Performance Marketing

As the role of the ILS changes, companies continue to pop up offering advertising services specifically for multifamily property management companies. PMCs are constantly looking for a new lever to pull as competition heats up as product continues to pour into nearly every market. However, these marketing companies are taking advantage of the multifamily industry's tendency to hire from within the industry resulting in a lack of out-of-category experience and an over-reliance on (and trust in) external vendors. The result is management fees being charged that are in some cases 3 or 4 times higher than what other industries pay for the same services. Put simply, your \$3,000 Facebook Ad budget is actually only \$1,500 (at best) if you are using one of these services, meaning you are reaching less people, generating less clicks, producing less leads, and getting less leases.

This has created a huge whitespace in the industry. Traditional ad agencies lack the industry knowledge needed to perform well, and the industry-specific partners are grossly over-charging. PMCs are overpaying and getting fewer leads because of it. This is a huge opportunity for an ambitious PMC looking to outperform in a market by in-housing these efforts.

As I mentioned above, the role of the ILS is rapidly changing, and as a result, your performance marketing efforts must take a front seat in order for you to maximize the lead output from your advertising spend. With Google dominating the buyer journey in multifamily (more on this in the next section), you must focus on capturing the leads from the awareness built in other channels. Savvy PMCs will invest heavily in Google Ads in all formats with messaging that is targeted to specific points in the journey based on the search intent.



Performance marketing would not be complete without an efficient way of capturing leads. PMCs tend to rely on prebuilt website templates from RentCafé or other out-of-the-box providers. While these might be attractive and offer benefits like direct integrations, they lack the ability to customize opportunities to generate leads.

In Q4 2019, CARROLL redesigned its community websites with lead generation in mind. We recognized that our previous websites offered too much information and tried to do more selling than prospects wanted. We also recognized that 95% of community information was available in other channels that most of our prospects visited prior to getting to our websites. With that in mind, we significantly scaled back the amount of content on our websites in an effort to connect prospects to the content they need very quickly and then generate the lead to start the one-to-one relationship. To do so, we created opportunities for prospects to connect with us regardless of their stage in the journey. If they aren't quite ready to schedule a tour, for example, we created lead generation opportunities that will help them in their search.

05

Google is King

As Google continues to innovate, it is quickly becoming a destination site. More and more each day, consumers are able to access the content they need without ever leaving a search results page. For example, if you search for a community name on Google.com, you will find photos, reviews, hours, phone number, a map, and promotions (if the community is using GMB strategically). It is very easy for a prospect to access basic information to compare against your comps without ever visiting your website or an ILS. This is why your website is essentially a pricing and availability portal. The expensive marketing wrapper you put around pricing and availability is not trusted and is rarely consumed because all of the details are found before they ever get there. This is also why the ILS is declining. As mentioned previously, their websites are cumbersome, difficult to navigate, incomplete (Google alone has nearly 100% of the apartments), and almost always inaccurate in some way.

The simple truth is that **consumers trust Google's data more than yours** or your favorite ILS because it has mastered the delivery of relevant information based on the prospect's intent and because they access to ALL of the public information on the Web. And this is a shift in mindset for our industry. In year's past, we held the cards. We had all of the information about our community, and our onsite teams' job was to inform the prospect. That is no longer the case. Most prospects know more about your community than you do, and the sooner you accept that fact, the quicker your team will get to providing true value to prospects.

Prospects have access to nearly limitless data. Crowdsourced information is available to them that includes stories, stats, opinions, photos, videos, etc. that scale what we previously called "word of mouth." Google leads that charge and became a destination website for prospects in this industry in the same way they have done in so many others. As a result, a hyper-focus on Google My Business (GMB) is vital to community success.

06

The Role of Social Media

Facebook has been a highly effective channel for targeting in-market consumers in a place where they spend a lot of time. But over the last year, that effectiveness has been chipped away to a point where it may soon not be a viable place to put your advertising dollars.

Following the 2016 election fiasco (Russian bots, etc.), Facebook was pressured to ramp up security measures. It removed valuable 3rd-party data sources that allowed multifamily advertisers free access to in-market consumers (that is, people actively looking for an apartment). Then HUD sued Facebook for violations of Fair Housing because it allowed advertisers to target users based on demographics. Not to devolve too far into a tangent, but this lawsuit shows how uninformed the government is on the matter. Just because an advertiser creates an ad that promotes a community's proximity to local bars and targets prospects who say they are interested in bars doesn't mean they aren't also creating an ad for the same community that promotes its gated parking deck that targets people who say they value security. We're trying to help the prospect find the things that matter to them.

Ok, back to the topic at hand. The last event to diminish Facebook's advertising effectiveness is only just beginning to be understood. Following the removal of 3rd party data, Facebook announced a button that will allow users to delete their data from the platform. What that means is that all of the data that Facebook has about a user's interests, the websites s/he has visited (including your community's), the pages they've liked, etc. will all be gone. You will no longer be able to target dog lovers with your special about waiving pet deposits. There is potential for this button to be minimized as it is unclear how much Facebook will promote it and how Facebook users will use it. But it could be disruptive to advertisers.

Combine each of these Facebook changes and multifamily advertisers are limited to essentially running digital billboard ads that target large swaths of consumers who may or may not even be renters. It will waste your budget and time, and we will see more ad budgets going to Google.

The path forward is to test new ad channels and experiment with 3rd party data available through data brokers. RentPath recently released a product that monetizes their data by allowing PMCs to target ApartmentGuide.com website visitors on Facebook, essentially giving you access to a slice of in-market data. While this is a very smart move in light of the changes outlined above, there are significant limitations you should be aware of that we would be happy to discuss at a later date.

07

Where Experience Fits

In addition to structural changes to marketing that include reducing fragmentation, maturing data analysis capabilities, and channel optimizations that make you more efficient, any gain created in focusing in those areas will be short-lived if you do not focus on delivery. Many companies have begun to realize the importance of customer experience and are making investments in it. For many, that means breaking down every interaction with prospects and customers and then prioritizing how to remove friction in each of those stages. For example, building a new resident mobile app that makes paying rent as easy as shopping on Amazon. Or smartly gifting each new move-in the latest streaming device. But I believe that we must take a larger view as to what defines “experience.” Yes, each of these touchpoints matter and the sum of all of them does heavily impact a customer’s feeling about the brand. There are, however, intangible aspects to experience that are equally important, though much more difficult to put into a project and then quantify success. This includes things like the way in which a leasing agent greets a prospect or resident or the types of events you host.

At CARROLL this has been a high priority over the last year and we look to expand it further in 2020. Last year we launched “Experience ARIUM” where we tasked every community monthly with creating small surprise-and-delight moments with residents. Through that program we helped recognize veterans, reconnect separated family members, connect fathers with their kids in fun experiences, and much much more. These small moments create lasting impressions that build true community outside of transactional interactions where PMCs have focused in the past, and they build loyalty that grows retention rates and word of mouth marketing.

08

Brand Matters

Brands are more than logos and names. They have meaning and signify to a prospect what they can expect by interacting with it. In multifamily, the norm has traditionally been to brand each community with a unique name. And recently, we've seen a spike in giving communities human names (The Clifton, The Liz, etc.), which in many cases has no real brand benefit except to (sometimes) signify that it is trendy.

Often overlooked, studies continue to demonstrate that consumers still value brands that they recognize. Not only does it give them peace of mind in doing business with something familiar, it can drive down your advertising costs by having awareness already.

Building a recognizable brand that stands for something builds trust in the markets in which you operate. This is challenging to do for each asset, but unifying your portfolio under a common name allows each individual community to benefit from the whole. It is like a school of small fish sticking together to project strength and provide safety rather than vulnerably braving the ocean alone.

CARROLL was early to this game, consolidating our properties around the ARIUM brand in early 2018 while leveraging the name for over 8 years prior in a few markets. Since, we have seen many other PMCs following suit in an effort to build the same loyalty among their customers. I suspect we will see more of the same in 2020. For CARROLL, we are looking to begin adding some nuance to our brand to signify to customers what to expect in terms of product in addition to the promises we are already making in service.

The Road For 2020 & Beyond

There are 5 questions you should ask of your marketing teams ahead of the 2020 leasing season to ensure they are making the necessary adjustments to stay competitive:

1. What is our advertising mix and are we investing strategically in performance marketing given all of the changes that have taken place in the past year?
2. What are we doing about the fall of Facebook?
3. How can we be sure that we have our finger on the pulse of each community with so many stakeholders involved in its marketing? How can we manage the performance of the community rather than managing the vendors who are managing the performance of the community?
4. How are we focusing on delivery to residents to increase retention rates?
5. How are we using Google My Business to drive free leads?

2019 has been a year of tremendous change in multifamily marketing, and we expect 2020 to be no different. The role of marketing channels in the journey will continue to evolve and new channels will emerge as vital players to the mix. We will see PMCs find new ways to adapt and the most innovative will rise to the top. But adjusting to 2019 changes alone is not enough. The fast pace of change in multifamily marketing means that by the time you've implemented changes, it is changing again. For that reason, your marketing teams must be more agile than ever and must be carefully weighing what will happen next in the same way baseball's best hitters anticipate the type of pitch coming next.

At CARROLL, we are watching the issues of privacy, the role of email, and the evolution of sales as disruptors to everyday marketing in 2020. We think that advertising will continue to evolve and the role of 1st, 2nd, and 3rd party data will differentiate successful marketers from the rest of the pack. And finally, we think that the ways in which communities understand and deliver on "experience" will also be a significant differentiator in the industry.

About CARROLL

CARROLL is a Private Real Estate Company that combines the infrastructure and abilities of an institutional investor, with a best in class team of real estate operations professionals. This unique combination of skills has allowed CARROLL to become a top national real estate owner and operator. Our core focus is to acquire properties that exhibit attractive long-term investment characteristics, and improve the performance of these properties using our talented and passionate professionals.

CARROLL has made a conscious effort to become institutional in our execution, reporting, and communications with our clients; while maintaining the mindset of an entrepreneur. We study trends, make quick thoughtful decisions, and continually recruit and hire the brightest minds in the business.

Our investments focus on capital preservation, generation of current cash flow, and the implementation of value creation strategies. This investment philosophy, in our opinion, is what makes our company unique. While we will always be ambitious, CARROLL has the ability, and desire, to be patient and wait for the right investment opportunities.



Noah Echols

Vice President | Marketing
Noah.Echols@carrollorg.com

CARROLL

CARROLLOrg.com