rentping | media

The Signal and the Noise:
Apartment Marketing Metrics that Matter

www.rentpingmedia.com

Who Should Read This eBook?

This eBook will:

- Help you recognize the most important metrics for your apartment marketing.
- Explain why some seemingly important metrics aren't actually that useful.
- Demonstrate how data can shape your apartment marketing strategy.

Does this eBook fit with your goals?

Keep Reading.

Think others might benefit from this?

Share this eBook.

rentping | media

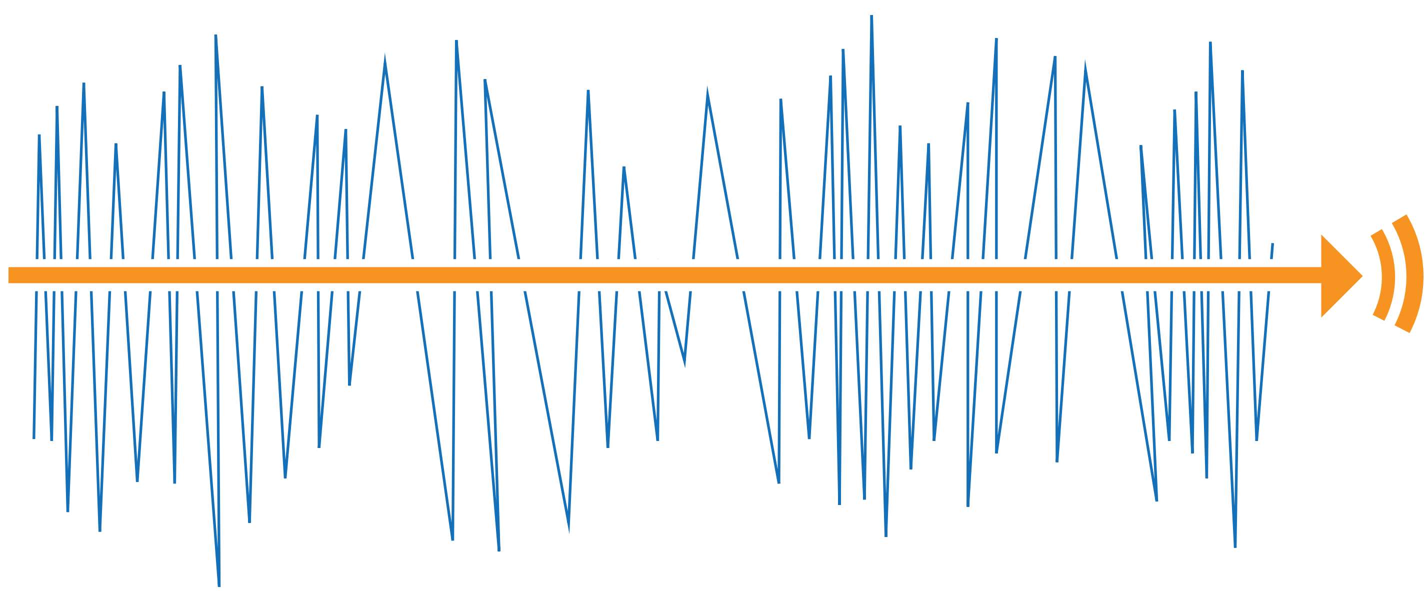
Rentping Media brings big company marketing capabilities to small and medium-sized apartment companies to help generate cost-effective leases through an integrated apartment marketing strategy.

www.rentpingmedia.com

Table of Contents

Introduction

Last year the New York Times' Nate Silver made the news with his popular **Five Thirty Eight**[1] blog and regular statistical analyses of the presidential race. Silver spun his success as a statistician off into a book called **The Signal and the Noise**.[2] The idea behind the title is that whenever you're analyzing data, there's always lots of noise--irrelevant data that is either useless, deceptive, inaccurate, or all three at once. Then there's the signal, the relevant data that actually tells you something helpful.



In this eBook, we will be looking at the signal and noise for multifamily communities. When it comes to your marketing and advertising data, what is helpful and what isn't? What data should drive decision making and what should be tossed aside?

1. http://fivethirtyeight.blogs.nytimes.com/
2. http://www.amazon.com/The-Signal-Noise-Many-Predictions/dp/159420411X/

Chapter One
100% Occupancy

One of the biggest stats that we talk about in the industry is a community's occupancy rate. But there's a good way to measure occupancy and a bad way. If you don't know the difference, you may think you're doing well when you're actually losing money. The key is to understand what metric is really just a vanity metric that property managers love to talk about to impress owners or regionals and which one is an actual measure of how your community is doing.

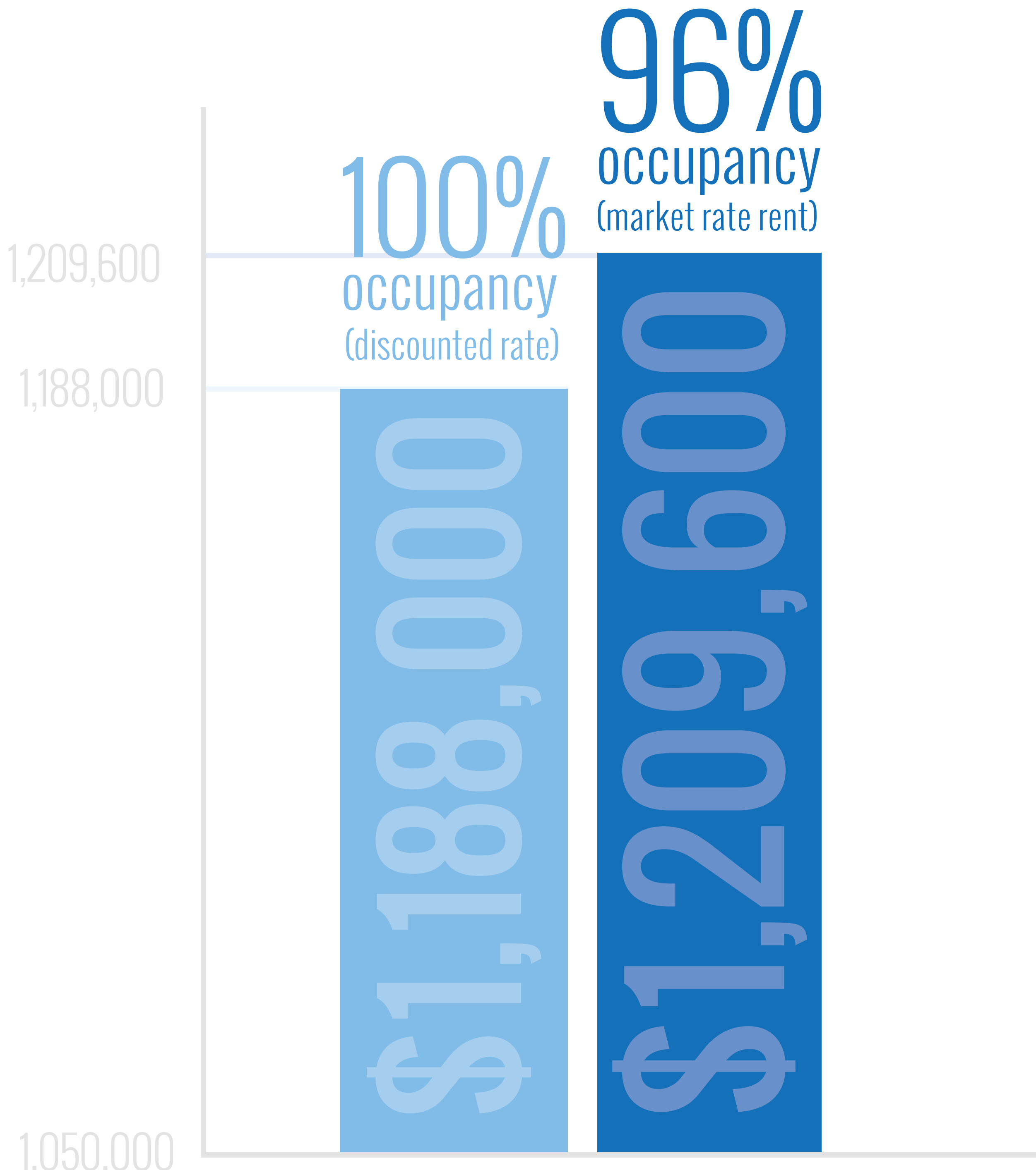
Physical occupancy vs economic occupancy

Physical occupancy is the noise. You might have 97% physical occupancy, but how did you get there? We saw one community that was charging 50% off for the first two month's rent as a bid to bring in more residents. That's an extreme example, but there are many communities that are either under-charging on rent to get higher physical occupancy numbers or that are offering big move-in perks to get higher occupancy numbers. In both cases, it's a losing proposition. How bad is it? Let's take two hypothetical examples below to find out:

Slashing rent to increase occupancy

Let's just say that all of your units are $40 below market value for your area and that you have a 150 unit community sitting at 100% occupancy in which every unit is renting for $660. That's $99,000 per month in rent revenue and $1,188,000 in annual rent revenue. How does that compare to what you'd be making at 96% occupancy with market rate rent?

At 96% occupancy, you'd have 144 occupied units paying $700 per month. That's $100,800 in monthly rental revenue and $1,209,600 in annual rent revenue. **In other words, your occupancy rate could be 4% lower and you'd still make over $20,000 more over the course of the year simply by charging market rate rent.** So in our hypothetical situation, your community might have 100% occupancy, but your rival community that has lower occupancy has an extra 20 grand lining their pockets.

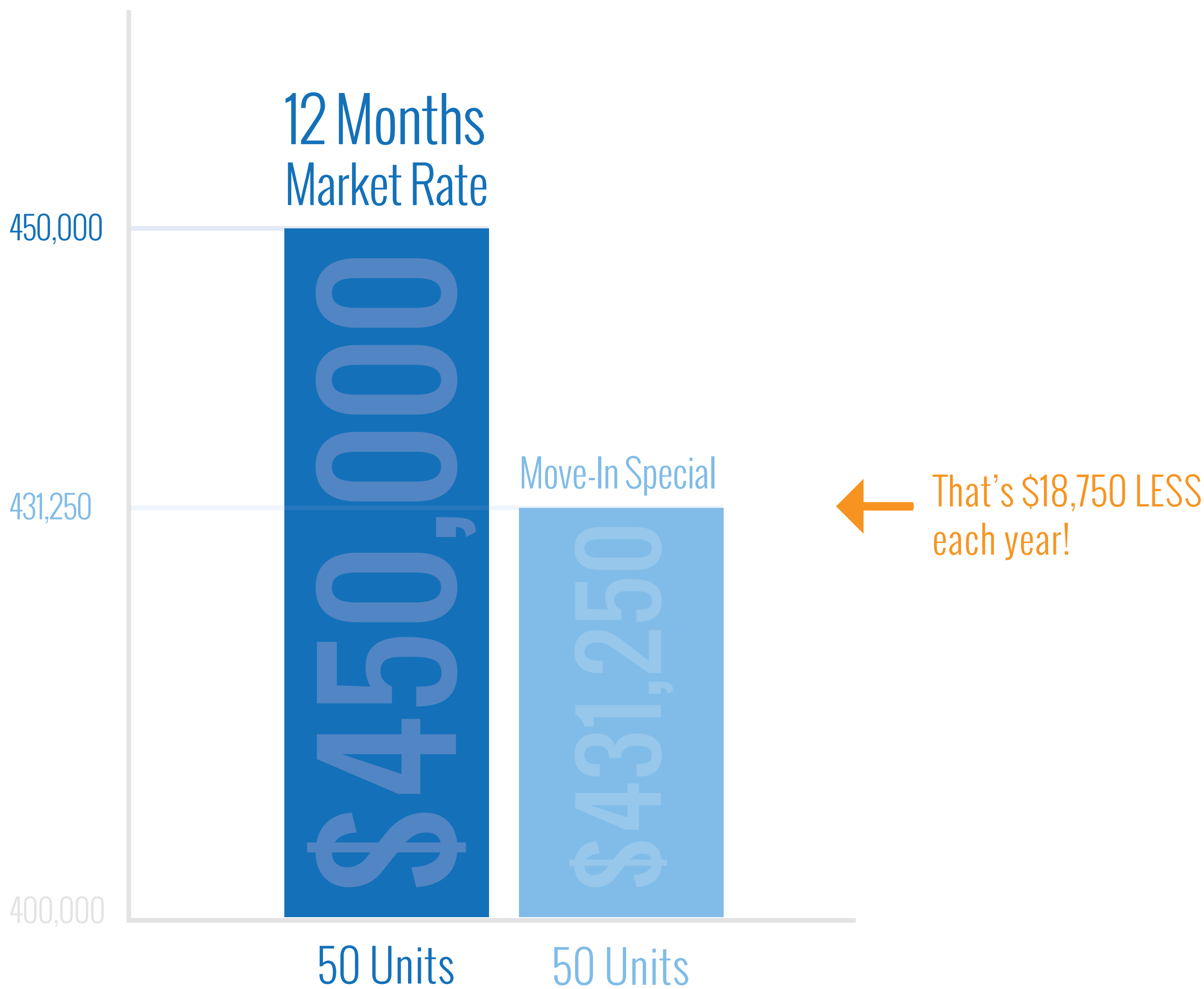


Point being: in most cases slashing rent prices to boost physical occupancy is a losing proposition because you can probably make more in terms of overall revenue by keeping prices consistent, even if you have lower occupancy numbers.

Offering move-in specials to increase occupancy

The other popular thing we see a lot is for a community that wants higher occupancy to start offering move-in specials. Let's say you have 100 units in your community and on 50 of them you offered half-price rent as a move in special. (This is a pretty tame move-in special. If you scan the apartment listings on Craigslist from time to time, you'll find half-rent for two months, free rent the first month, etc. We won't get into this one, but we also see a lot of no deposit specials, which seems like a terrible idea to us because if the resident trashes the place, you will probably have to eat the entire cost.)

So we'll keep our math simple for this example. 100 units at $750 per month in rent. We'll say that 50 units pay $750 all 12 months and 50 pay $750 for 11 months and $375 for one month. **How much money is that costing you? $18,750.**



Economic occupancy is the signal.

To calculate physical occupancy, you simply divide the number of occupied units by the total number of units. So if you have 138 total units and 135 occupied, you take 135/138 and come up with .978, or 97.8%. That's an extremely easy calculation, which is likely part of the reason it is used so often in the apartment industry.

$$\frac{\text{occupied units}}{\text{total number of units}} = \textbf{physical occupancy}$$

Calculating economic occupancy is a bit more complicated. The equation is still the same, actual rent revenue divided by maximum possible rent. But, of course, you have to calculate both of those things, which is where it gets more complicated.

$$\frac{\text{actual rent revenue}}{\text{maximum possible rent}} = \textbf{economic occupancy}$$

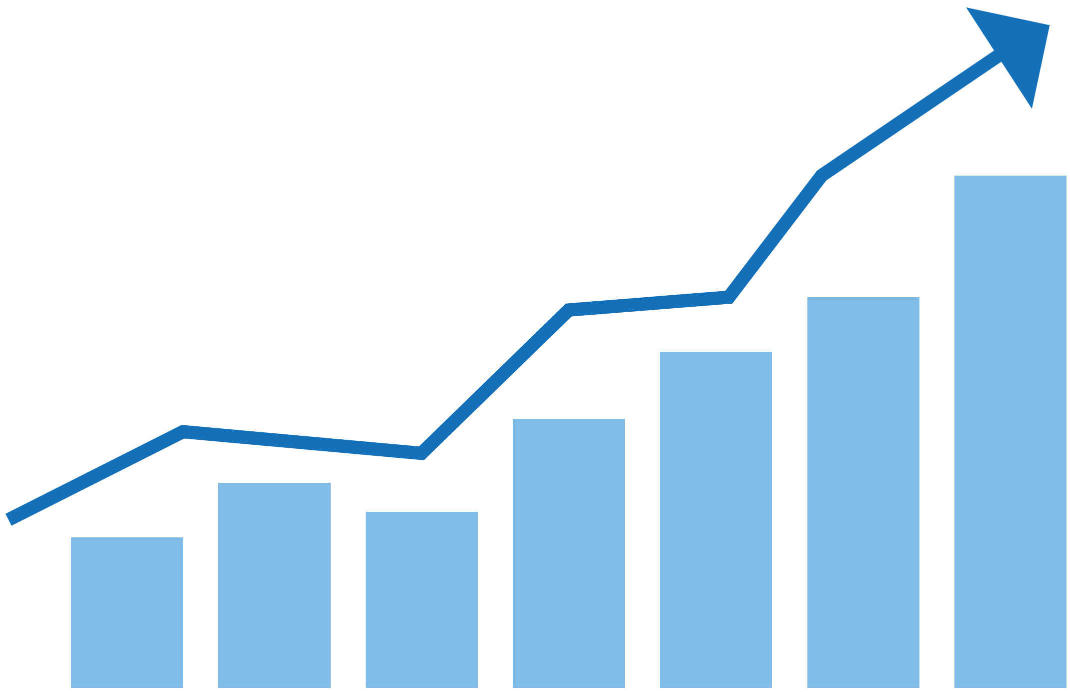
Let's do another hypothetical: You have 100% occupancy, but you're charging $700 per month when market value is $750. To determine economic occupancy, you would do $700 * number of units / $750 * number of units.

So let's say you have 100 units. $700 * 100 / $750 * 100 is your equation. So that's $70,000 / $75,000, which equals .93 or 93% occupancy.

What that means is that even though you're at 100% physical occupancy, you're only at 93% economic occupancy. Put another way, **you're only making 93% of what you could be making as a community if you charged a market rent rate.** So 7% of your potential revenue is going down the drain every single month.

You don't care about 100% occupancy. You care about revenue.

The point here is that ultimately you are running a business. Like any business, you're trying to maximize profits. So the numbers you care about should have dollar signs attached to them.



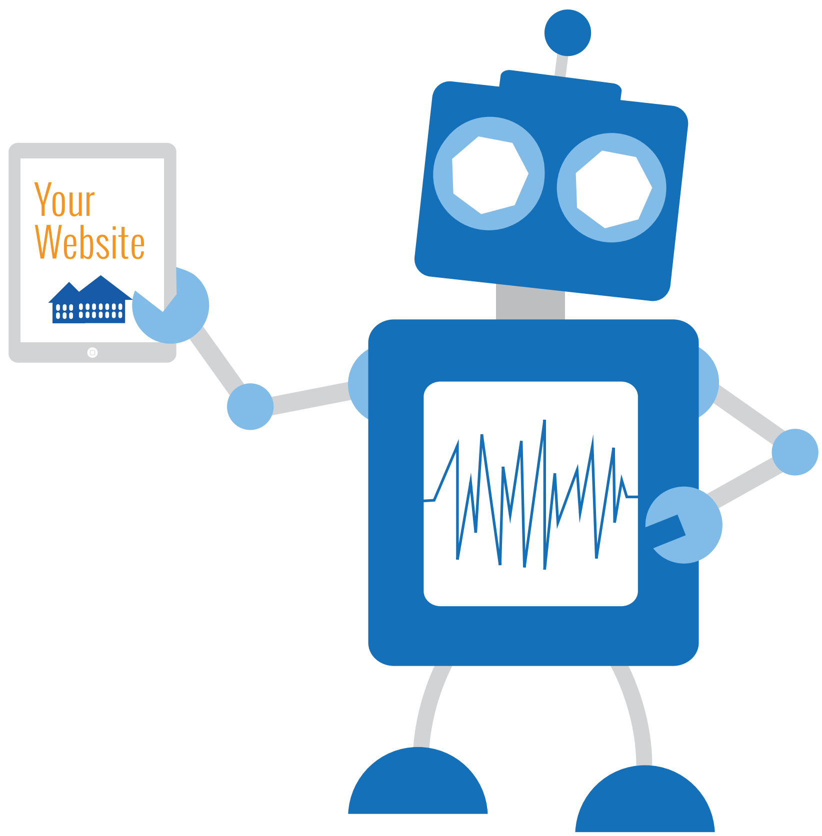
Physical occupancy, in other words, only matters to the extent that it relates to your revenue numbers. What can easily happen in many multifamily communities, however, is that the tail (physical occupancy) starts wagging the dog (revenue). And pretty soon you find yourself chasing numbers that don't ultimately matter while ignoring the numbers that do. Moral of the story: Don't get suckered into chasing vanity metrics like physical occupancy. Distinguish unimportant numbers from important numbers and you'll be golden.

Chapter Two
Website Traffic

Website traffic is a notoriously difficult thing to measure. And the difficulty comes on multiple levels.

Measuring actual visits

Did you know that anywhere from 20 to 60 percent of your online traffic comes from bots rather than human beings? And did you know that none of the companies that make analytics software will release their methods for defining a bot?



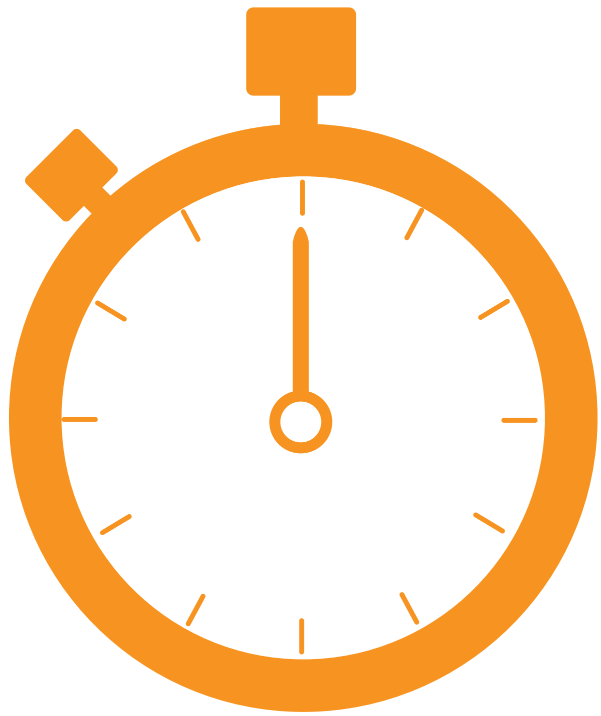
So, for example, on one day a couple weeks ago there was a 20% difference in our site traffic between our two analytics sources. That's an extreme example, usually the difference is more between 8 and 12 percent, but it's worth keeping in mind when you're looking at your website analytics. If you have a really high number of visits, you're getting a lot of visits, but you probably aren't getting *exactly* that number of human visits. There's some degree of approximation happening when you measure web traffic

Measuring Valuable Traffic

Within your analytics software, there are plenty of different statistics available to help you measure the quality of your traffic. Below we'll define some of the key measures:

Average time on site:

This measures the average time of each user on your entire website. This metric is useful in determining how useful your site is on the whole--if you're averaging even 30 seconds on site, that means a lot of people are clicking through, judging that your site is not helpful to whatever they're doing, and then they leave. A further point of importance with average time on site is that one of the **leading metrics**[1] Google users to determine a site's ranking is satisfaction of users. How does Google measure that? One way is to see if and how long it takes a person to return to their search page after visiting a site.



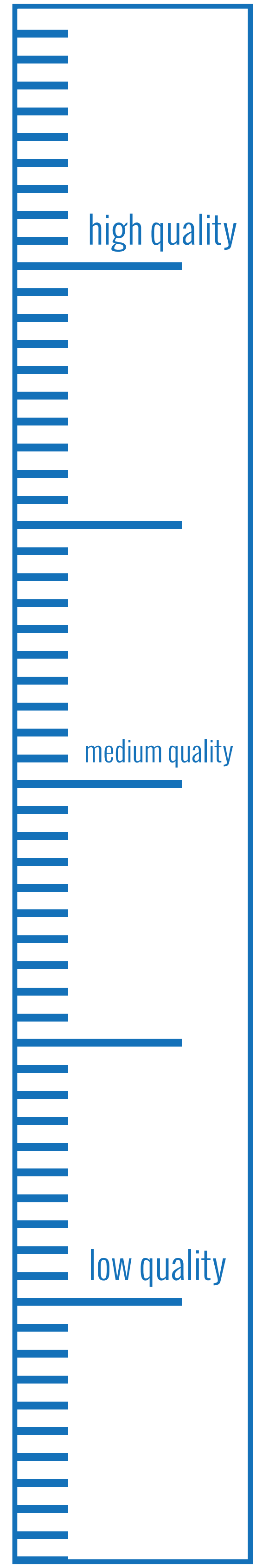
Think about your own browsing habits: If you search something on Google, click on a result, and immediately determine that the site isn't helpful, you hit the back button and continue browsing. Google observes that activity and, based on that, concludes that the site you clicked on did not satisfy you. So they take that into account in the future when ranking that site for search results.

What that means for you is that if people are finding your site on Google, quickly deciding that it can't help them, and then leaving, that action will make it harder for other people to find you on Google. Creating a site where users stick around for awhile is an essential part of ranking well in search engines.

1. http://moz.com/blog/seo-satisfaction

Measuring Valuable Traffic

Within your analytics software, there are plenty of different statistics available to help you measure the quality of your traffic. Below we'll define some of the key measures:

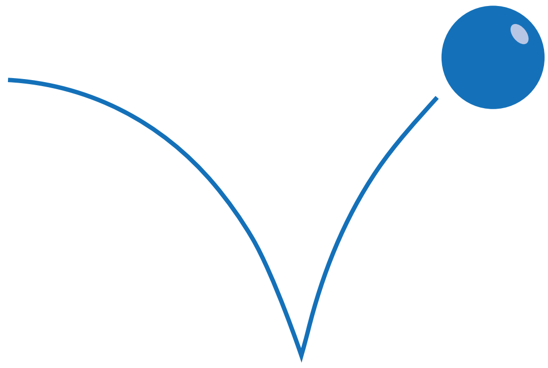


Average time on page: This measures the average time of each user on a specific page. So this metric won't be that helpful on your home page, for instance, because your home page should be briefly telling people who you are and what you do before guiding them (emphasis on "guiding") to whatever resources they need. So you shouldn't expect a high average time on page on your home site. So, for example, the average time a user spends on our **products page**[1] is almost double the amount of time they spend on our home page. The same is true on the blog--users spend twice as much time on our blog as they do on our home page.

For apartment communities, your site should have a page for each floorplan in your community that includes photos and video of that specific floorplan. And your floorplan pages should have a considerably higher average time on page than your home page does. We'll use data from one of our clients to illustrate: On this client's home page, the average time on page is 1:17. On the page for the one bedroom, one bath floorplan the average time on page is 2:29. So, once again, that page has an average time on page that is double the average time for the home page. In another case, the client's home page has an average time on page of 1:28. The average time on page for one of the floorplans is 2:40. It's not quite double the time on the home page, but it's very close.

1. http://www.rentpingmedia.com/products/

Bounce Rate: Bounce rate is a tricky metric to measure and you should be careful to draw too many conclusions from it. Bounce rate is meant to calculate the number of users who come to your site and leave without looking at anything else. But it's tricky to make big sweeping judgments about your site based on bounce rate because bounce rate doesn't necessarily include the average time spent on the page.



So, let's say you have a PPC ad on Google that, when clicked, takes users directly to a floorplan page. They land on your two bedroom page, watch the video, look at the photos, etc. and they love the unit. They immediately call the leasing office and set up a tour, then leave the website without looking at any other pages. Technically speaking, that user has bounced. But they've also done everything you'd want a website visitor to do. Which means you shouldn't base too much on the bounce rate. If you have a bounce rate over 80%, that's really bad news because there's no way most of those bouncing visitors are doing the sort of thing described above. But if the bounce rate is middle-of-the-road though, it's probably not worth panicking. At least some of those bounces may well be engaged users, so the problem probably isn't as bad as the raw percentage rate indicates.

What is bad traffic and what is valuable traffic?

To judge what traffic data is noise and what is the signal can be difficult, but the metrics above can help you make those decisions. **Simple "web visits" or even "web visitors" is usually just noise because those are such broad metrics and there's so many ways to get traffic. Metrics like "average time on site," and "average time on page," for floorplan pages is the signal, or one of the signals**. Those metrics will tell you if users are engaged, if they're finding the page satisfying, and if they're actually considering renting from your community

Chapter Three
Advertising Cost vs. Cost per Lead

Assessing the cost of advertising for your apartment community is one of the trickier (but more important) jobs in the multifamily industry. And the range of opinions about what is "expensive" versus "affordable," is extremely wide. We've spoken with communities who think spending $100 or $200 on marketing per month is expensive and we've spoken with others who don't hesitate to drop several thousands on monthly advertising. We've spoken to some people who think spending $3,000 to create a new website is reasonable and others who are willing to pay ten or even twenty times that for a website.

So how do you decide how much to spend on advertising for your community and how should you spend it?

For starters, the bulk of your advertising budget should go toward building up your own web presence, rather than paying another media company to rent space on theirs. Advertising on someone else's website is simply not an effective way to market because you're sharing the space with so many competitors. The internet listing service (ILS) business model depends upon them having you and all of your competitors on their site and on them treating all of you equally. The result of this is that differentiating your community from a competitor's is very difficult. The ILS will do the same types of photos and videos on every client they have at that price level.

So unless you have some really over-the-top amenity to make you stand out, you probably aren't going to be sufficiently differentiated on that web listing service. What happens when you can't differentiate your product from the other guy's? You have to charge less to win business. If you fail to differentiate from competition, you're doomed to compete only on price. And that means less rent revenue for your community. This isn't just our opinion either--stats from J Turner Research say the same thing: Rents from Craigslist or a community website are generally **10% higher**[1] than rent rates from internet listing services. (If you want to learn more about building up your own web presence, check out our free eBook: **The Ultimate Guide to In-house Apartment Marketing**.)[2]

Given that background information about building up your own web presence rather than attaching yourself to someone else's, what are some other things to keep in mind with advertising costs?

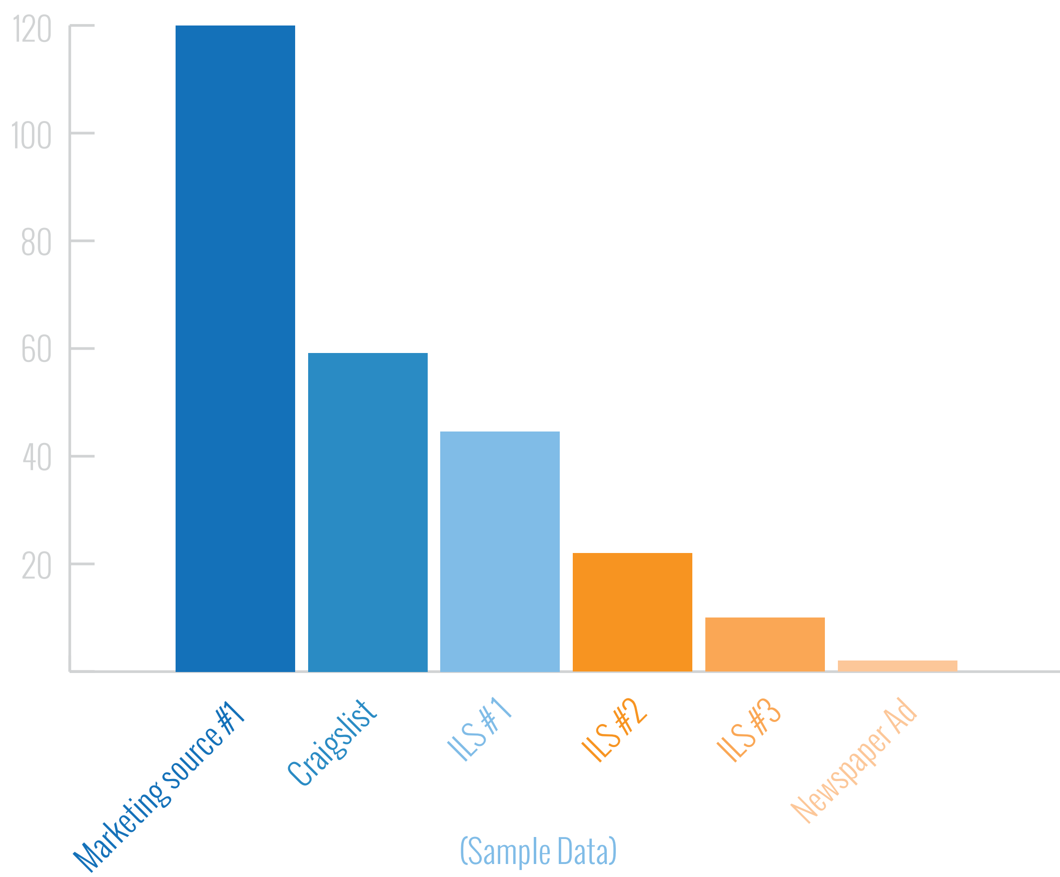
The biggest thing you can do to help your advertising budget is to think less about "total ad spend" and more about "cost-per-lease."

Of course, calculating that cost is more difficult--you can't just look at the number on the check you wrote last month. Instead, you have to somehow keep track of the lead sources for all of your leases and then compare that number to your monthly costs. Obviously one way to track that is simply to ask residents what they used to find you--you can include that on the rent application, the lease, or even have your leasing agent ask them when they give an in-person tour or are filling out paperwork.

1. http://www.rentpingmedia.com/2012/10/charge-higher-rent-with-your-own-web-presence/
2. http://resources.rentpingmedia.com/in-house-apartment-marketing-ebook

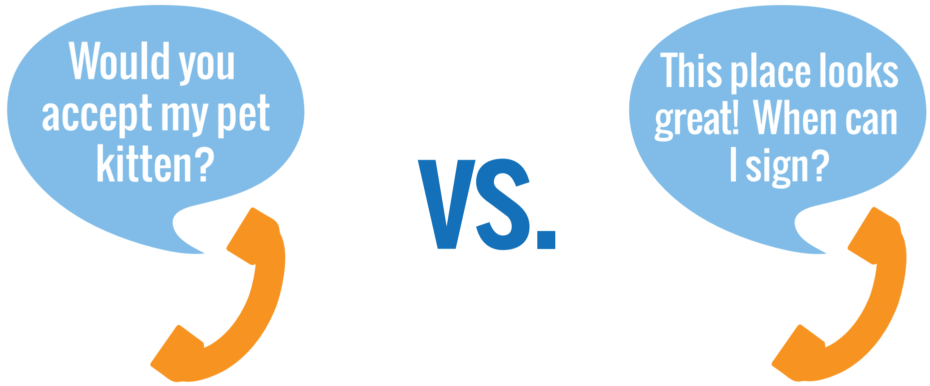
So then what? Are you doomed to forever have faulty information about where your leases are coming from? In the past, the answer was an unfortunate yes. But with the emergence of new technologies in the past five to ten years, that has begun to change. You can now purchase tracking numbers that you then attach to different advertising sources. So, for instance, you can have one unique tracking number on ILS x and a different tracking number on ILS y and still another different number on your community website. Using computer software, you can not only track how many calls each number receives, you can also track how long the calls were, what time of day the calls happened, and even how many of the calls your leasing office failed to answer.

As one of our clients puts it, “Finally… accountable marketing!” By doing this, you can sit down at the end of the month and know exactly how each advertising source performed in terms of number of leads generated. From there, all you have to do is compare that number to the amount you spent on that advertising source and you know how much you spent per lead. This information can be invaluable because it tells you what sources are working and what ones aren’t. And with that information, you can make intelligent decisions about where to invest additional marketing dollars and where to cut expenses in order to save money.



(Sample Data)

Chapter Four
Number of Calls vs. Quality Calls



Think about some of the calls you've received in your leasing office. What's the craziest thing someone's ever asked? (We'd love to hear about it--share it with us in an email or on social media.) What's the most annoying question you get? What's the best question you get? How do you know when the person on the other end is a serious lead?

Obviously we all want the phone in our leasing office to be ringing regularly. It means the community is being noticed, that people are interested in living there, and they're taking action to find out more. But how much time do you spend on the phone with crappy leads? How many times have you had to answer the same question about whether pets are allowed? The bottom line here is that not all calls to your community are created equal. So how can you start getting better quality calls that come from high quality leads?

The first thing you need to do is set up tracking numbers. You'll want separate tracking numbers for every online source--one for every ILS and one for your community website. (You could also have a separate one for Craigslist or you can simply do everything you can to reroute traffic from Craigslist to your website and use the same number.) By doing that, you can start seeing data on exactly how many calls are being generated by every advertising source.

How do you judge a good call? It's actually simpler than you might think and it doesn't require any extra work on your part. Your tracking numbers won't just tell you where each call is coming from, they can also tell you the average length of each call. So you don't have to rely on the people in your office to remember how many calls there were, who they came from, how long they were, and so on. It's all in your tracking number reports.

To evaluate the quality of these calls, simply look at their average length. If the average length is a minute or less, that tells you the person calling isn't terribly engaged. They're probably calling a dozen apartments with the same one or two questions. And they probably aren't even trying to set up an in-person tour because that would take a bit more time and their call didn't last that long. On the other hand, if the call length is two minutes or more, that's a good sign. They may have called in with a typical question, but they stuck around longer--that suggests a more engaged, higher quality lead.

Ultimately we recommend using three different measurements to judge the quality of your phone leads. It's good to use all three of these because they give a good balanced picture of what your advertising sources are actually doing.

First, use total calls. That can't be your only metric because you could be getting lots of low quality calls, but it's still a good number to be aware of. After all, if a source's average call length is three minutes but they only generate five calls a month, is that source really that valuable to you?

Second, use average call length. This one cuts the other way--if a source is making your phone ring 100 times a month and the average call is 40 seconds, are they providing much value? In fact, you could even argue that they're hurting you because your leasing staff is spending company time on the phone with bad leads that aren't going anywhere.

The third metric we advise looking at is one you'll have to calculate yourself--take the number of calls times the average call length. That will tell you roughly how much time you're spending on the phone with prospects thanks to that one advertising source. Again, this metric cannot be your only metric. But it's a good way to see exactly how much time you're spending on the phone every month thanks to that source. If the average call length is favorable, than that can be a really good metric to see b/c you can see exactly how well that source is performing relative to the rest. On the other hand, if the average call time is poor, seeing this metric can drive home how much company time that source is costing you with their low quality leads.

The background question to all of this, of course, is how you can generate better quality phone calls to begin with. The answer there is by providing prospective residents with useful, accessible information about the community that answers the questions that matter to them. But that's another topic for another day--to learn more about content and apartment website design you can check out our **full library**[1] of free resources.

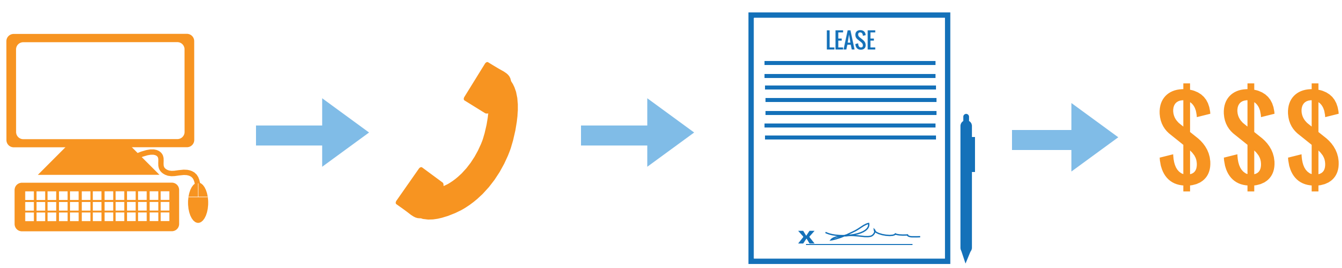
1. http://resources.rentpingmedia.com

Chapter Five

Leads vs. Quality Leads

One of our main beliefs as a company is that ultimately apartment communities don't care about leads; they care about leases. That's true, but also slightly hyperbolic. After all, leases come from quality leads. So what we're really talking about isn't forgetting about lead generation, but simply finding a way to generate *better* leads.

Put another way, you shouldn't care how many "leads" you get if every single phone call is counted as the same kind of "lead," or if every repeat visitor on your website is counted as a "lead." That's not a good way to measure things. What you want, instead, is a way to distinguish between low-quality leads that aren't going anywhere and high-quality leads that convert into leases.



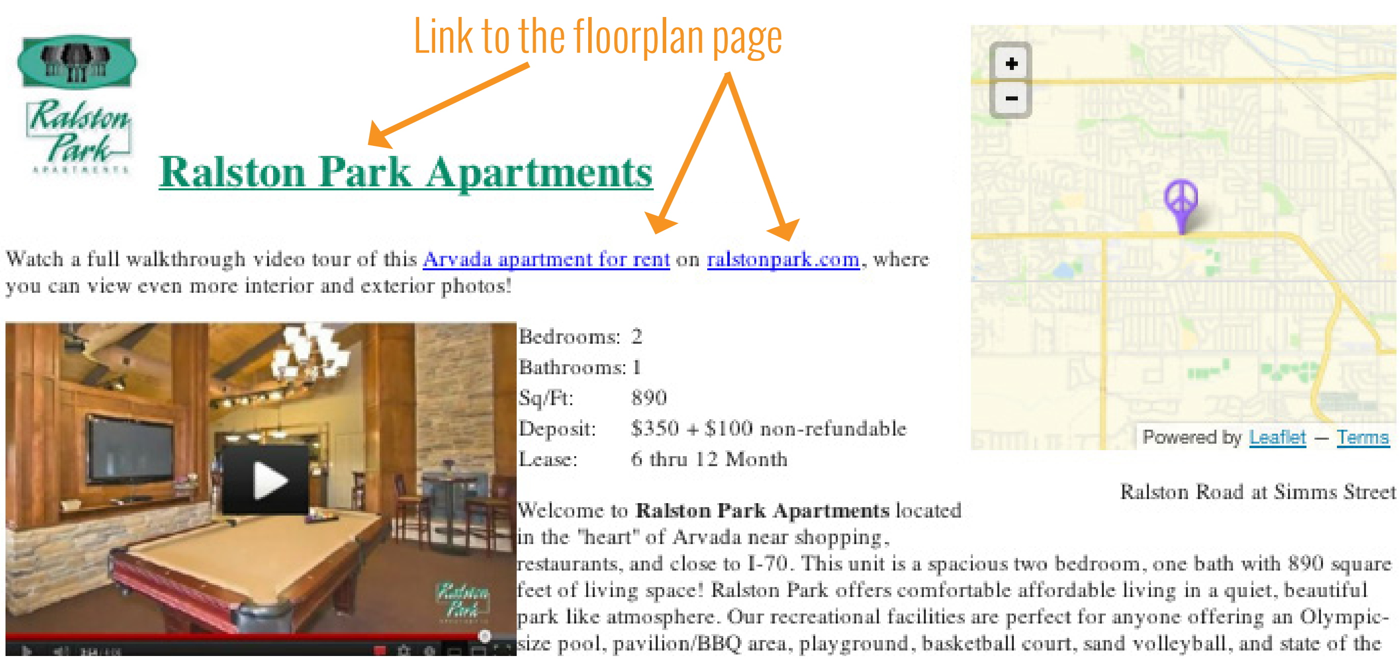
Part of this, of course, will overlap with our previous discussion about assessing your phone leads, so we won't repeat what we've already said there. In this chapter, we want to talk about how you generate a better quality lead so that you can increase your conversion rate. One of our clients expects to lease an apartment after only two in-person showings, so when we talk about getting you better quality leads and higher closing rates, that's the kind of rate we're talking about.

Let's start out by talking about what exactly people care about when they're looking for an apartment. There's going to be a few things on the list. First, what does the apartment look like? If the carpet is hideous, the view is terrible, the rooms are small, etc. then that will probably keep some renters away. On the other hand, you'll also have people who aren't as concerned about the view or who really like having a smaller bedroom, and so on. In any event, people want to know what their apartment will look like. They'll be living there for at least a year, after all. It's not an unreasonable expectation.

Second, they probably want to know about your pet policy. 75% of renters own pets and 58% of renters who do not own pets actually enjoy having animals around the community. In a survey of property managers taken in 2012, Rent.com found that 45% of property managers said that pet policy was the most important feature of the property according to residents. According to the same survey, the most important amenity to residents was having a washer and dryer in the unit.

So how do those objectively true facts shape your decision making as an apartment marketer? Specifically, how do they shape your approach to online marketing? Because those things are true, you want to make it as easy as possible for prospective residents to find those things when they go online. This means that floorplan specific photos and walkthrough videos are pretty much non-negotiable. And for sake of simplicity, you should probably scale back your website by eliminating the specific pages for photos, amenities, and floorplan blueprints and replace all three with floorplan specific pages. On those pages you can show photos, a video tour of the unit, and a list of the community's amenities. You must include your pet policy and whether or not the unit has washer/dryer, but you can also mention things like what utilities the resident pays, whether you offer free wifi, what appliances are included in the kitchen and so on.

You should also make sure that it is easy to find those floorplan pages on your website and that prospective residents have plenty of ways to end up there. Optimizing the floorplan page url is one good way to do that. Instead of using a generic ending like "yourcommunity.com/?p=1549" at the end, go for something like "yourcommunity.com/one-bedroom-apartment." That makes the page a bit more likely to be found on Google--and a bit easier to remember for human beings, which is even more important. You can also do things like setting up PPC advertisements that send people to the floorplan pages or link to the floorplan pages in your Craigslist ad.



How does this work out in practice? Well, if people can find your site and your site tells them everything they want to know about your community, one of two things will happen. They might decide that the unit isn't for them and move on. That may not seem like a great outcome for you, but actually it is. Have you ever given a tour of a unit where you took one look at the prospect's face as they entered the unit and immediately knew they weren't going to sign? Having the photos and videos online means you never have to give a tour like that again. Instead, you can spend your time dealing with more engaged, qualified leads. So disqualifying some of your leads is actually a great marketing strategy.

Of course, some people will see the video, photos, and description and love the unit and will desperately want to move into it. That's the other possible outcome and it's a fantastic one for your community because your unit has already differentiated itself with this prospect before they ever set foot on your property. This is great for you because when that person calls in, they're already excited and they may even be treating the in-person tour as a formality they have to go through in order to sign a lease. That's the kind of high quality lead you want, right?

So that's how you can generate a better class of lead while, at the same time, disqualifying your less engaged leads who were never going to sign anyway. That sort of strategy means you spend your leasing staff's time more efficiently and don't waste time and money chasing down low quality leads.

Conclusion

The cool thing with marketing in the digital age is the sheer amount of data you can access when judging your marketing. The awful thing with marketing in the digital age is, also, the sheer amount of data you can access when judging your marketing.

If you know how to pick out the important bits of data, you can become a marketing superstar very quickly simply because you have specific information that previous generations of marketers could never dream of having. But if you can't pick out the relevant data, you can easily become overwhelmed, stressed, and confused, drowning in a sea of numbers, facts, and figures. We don't want that to happen to you.

We want you to be able to sift through all the data you can collect and pick out the signals, pick out the things that really matter. And armed with that information, you can develop better marketing that makes your leasing staff's job a bit easier and your profit margins a little bit higher.

If you found this eBook helpful and would like additional marketing help, you can check out the rest of **our library** of downloadable resources to learn more about apartment marketing in a digital age.

To learn more about in-house apartment marketing, Craigslist, or how you can generate more cost-effective leads, contact Rentping Media for a free marketing consultation with one of our business developers.

Click here to contact us for a **free consultation.**