

# PROSPERING YOUR BUSINESS

Daniel M. Isard

**“Strategic planning”** is a phrase thrown out by business owners all the time, but too many have no idea of what it really is, how to do it or how to communicate the desired results of a strategic plan. Instead of joining the group of people that use this phrase simply to sound important, let me teach you how to do it so you can be successful next year! Hey, it’s already November and nothing is going to change the results of this year to a dramatic degree. So let’s work now to make a big change in your business in 2015.

*A number of objectives must be met for strategic planning to bolster the success of your business.*

Allow me to define strategic planning. It is “a business’ process of defining its strategy [its plans, directions, goals and objectives] and making decisions on allocating its resources to pursue the strategy.” In the case of funeral homes, there are a number of strategies that need to be planned, including revenue, marketing, merchandise, overhead and human resources. Right away, you may think that this is a lot to manage, and you are correct! That’s why owning

or managing a business is a full-time job. Let me take each of these strategies and lay out some operating objectives for 2015.

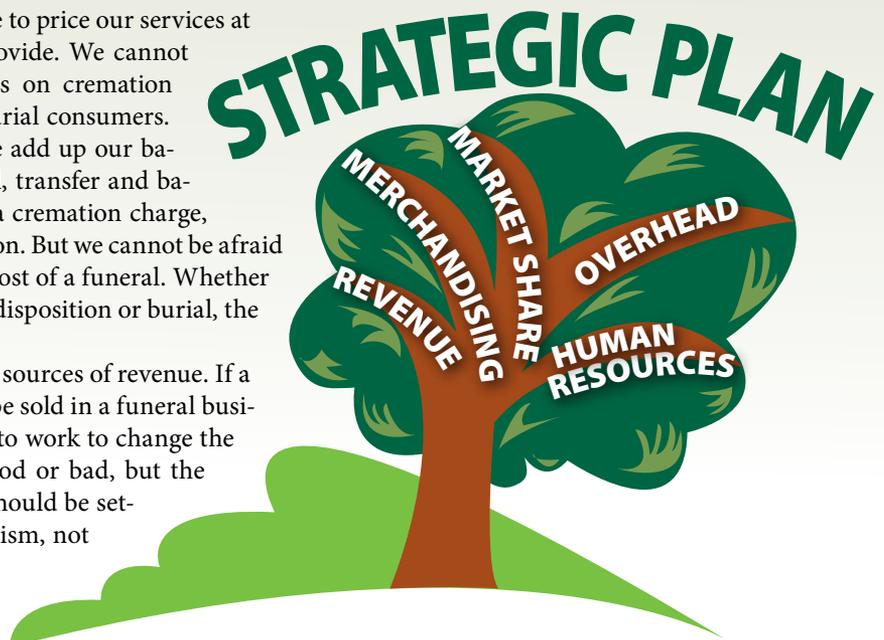
## Strategy to Enhance Revenue

My uncle used to tell me, “Whether you are rich or poor, it’s always good to have money!” We are facing a critical time in this profession. We have an increasing number of partial services, which generate lower revenue per call, an increasing cremation rate, which offers lower revenue per call, and increased use of 20-gauge caskets, which generates lower wholesale revenue. Thus, in 2015, revenue will be more of a struggle for the average funeral home.

We must find the courage to price our services at what they really cost to provide. We cannot continue to offer discounts on cremation while fully charging our burial consumers. We fear the result when we add up our basic non-declinable, removal, transfer and basic care fees and then add a cremation charge, so we discount the conclusion. But we cannot be afraid to educate families on the cost of a funeral. Whether that funeral is a cremation disposition or burial, the costs are the same!

We also have to find new sources of revenue. If a state doesn’t allow food to be sold in a funeral business, we must be prepared to work to change the law. I don’t know if it’s good or bad, but the serving of food or drinks should be settled on the terms of capitalism, not biohazard fears.

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### Strategy to Increase Market Share

When funeral homes experience an increase in case count, the reasons they give as to why consumers are choosing them are usually lofty and supercilious. When funeral homes have decreases in calls, they invariably blame it on a decrease in mortality. In order to develop a strategy to increase market share, we must first analyze the market share each business has in a community. We must see if it is changing year after year. Then we must work to make a change to increase market share at a quicker pace.

You increase market share by marketing. Marketing is not just buying media placements, unless that is working for you. The best marketing is the ability to meet the greatest number of people within your community and impress upon them that you are the expert in death, dying and grief adjustment.

If you look at the 2014 NFDA Consumer Awareness and Preferences Survey, you can see clearly how consumers choose a funeral home (see *The Director*, September 2014). Start by marketing to these points. Almost 30 percent said they already knew the funeral director. About the same number had a previous experience at the funeral home. We have to get out and meet the population. Today, that is tougher than ever. But by attending a wide range of public events, you can meet more people and leave a good impression with them.

### Strategy to Improve Merchandising

If you're going to plan to create a strategy to improve your merchandising, know your averages. Look at the price of your average casket. Now look at your showroom (virtual or physical). How many caskets are you showing above that price point? If it's not at least 25 percent, then you are holding down the spending on caskets by the families you serve.

When it comes to vaults, would you be surprised if I told you that most consumers don't know the purpose of the vault? A small amount of time demonstrating a vault can produce a very high result.

Of course, there are other forms of merchandise. Too often, we do not promote these other items because we think families are burned out in the arrangement conference. The solution to this may be as simple as offering coffee and cookies in the arrangement conference so they don't lose their energy too soon.

### Strategy to Control and Decrease Overhead

Overhead is a major issue, but each step of overhead is controllable. You should know what your expenses are in each category. We break them down into:

- Salaries and benefits
- Vehicle costs
- Other funeral costs
- Advertising
- General and administrative
- Fixed facility costs.

First identify the expense that goes into each category. Then a ratio analysis is in order. What percent of revenue is each expense? To do this, you create a fraction, with the expense as the numerator and revenue as the denominator (using a computer spreadsheet works very well for this). Assuming one location, a well-run company should have the following ratios:

- Salaries and benefits: 26 percent to 30 percent of revenue

- Vehicle costs: 3 percent of revenue
- Other funeral costs: 3 percent of revenue
- Advertising: 4 percent to 6 percent of revenue
- General and administrative: 9 percent to 11 percent of revenue
- Fixed facility costs: 3 percent of revenue if the real estate is within the operating company and 11 percent if it is in another entity.

If your ratios are out of whack, there are only three possible reasons:

- a) The expense is too high.
- b) The revenue is too low.
- c) Both expense and revenue are incorrect!

Start by doing the analysis and take action. Then find ways to trim costs or ways to increase revenue, but get the ratios in line! The one thing you should not do is to wait for the matter to resolve itself.

### Strategy to Perfect Human Resources

The largest cost of running a funeral home is staffing, which is why human resources is a big issue. Most likely, you have never been formally trained on HR matters. Search for a provider that can be your remote HR company. The complete cycle of HR matters includes hiring to firing, compensation, training, employee manuals, procedure manuals and giving reviews.

First, make sure each employee has a job description and then make certain each knows to whom they report. They should also know which employees are their co-equal associ-

ates. They should have an employee handbook that outlines your company's policies on matters including benefits, vacation time, leave of absence, cell phone use and hours of operation. You should also have a procedure manual for the funeral home that gives clear direction on all matters pertaining to serving a family. These documents also protect you if there are any problems with employees. Lastly, know how to review your employees each year and how to give raises or promotions.

The HR cycle doesn't end until an employee dies, retires or terminates his or her employment. When you terminate an employee, it is called "firing," and you need to know how to do that properly, along with hiring and accepting someone's resignation. The HR area is complex and deals with many potential legal loopholes and consequences.

If you do take time to strategically plan for 2015, the following step is to compare yourself to your goals. The Foresight Companies uses a 99-point test called the Target Profit Monitor, which tests your goals versus your results on a quarter-by-quarter basis, as well as year to date. The objective is to raise clients' awareness about the performance of their strategic plan and quickly implement any needed changes.

Strategic planning is critical to your chance for success! ★

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