A Road Map for Strategic Planning

Daniel M. Isard

Strategic planning for most funeral directors is akin to dieting. Funeral home owners and managers know they should plan for the health of their business, but most get caught up in serving families again before they can finish the assignment. Then, halfway through the year during an April lull in calls, those unfinished plans hit them, and most just shrug their shoulders and promise themselves they'll complete them next year. Now you know why I cannot stay on a diet and why you are not effective in strategic planning.

Allow me to explain my view of what strategic planning is. Strategic planning follows a one-year-or-longer road map (you wouldn't start a cross-country drive without planning the route). In reality, you start the process by determining where you are and where you want to finish, assessing the risks and threats, as well as the rewards. Where do you want your business to be on December 31, 2017? (No, that is not a typo.)

Five key management objectives must be considered in your firm's strategic planning: case count, revenue, preneed, overhead and staffing.

Before a route can be mapped, however, you must know your specific starting point. For funeral service, there are five key management objectives: case count, revenue, preneed, overhead and staffing. In striving to manage these objectives across your planning, you have to determine what changes to each objective you desire. First, answer the question, "Where do I want my business to be at the end of the year?" Ask that same question for each management objective for which you are planning.

The crux of strategic planning is identifying the areas for planning and determining what will be done to make the results happen. Don't just make up a goal or objective – look at the past. The more data you use to clearly define past performance, the better your predictions for the future will be.

For any strategic plan to be successful, someone must be accountable for the identified management objectives and the steps to meet those objectives. This exercise must be written down. It must be communicated and shared with the staff. Everyone must know the strategic plan for each business objective you want to take under your control.

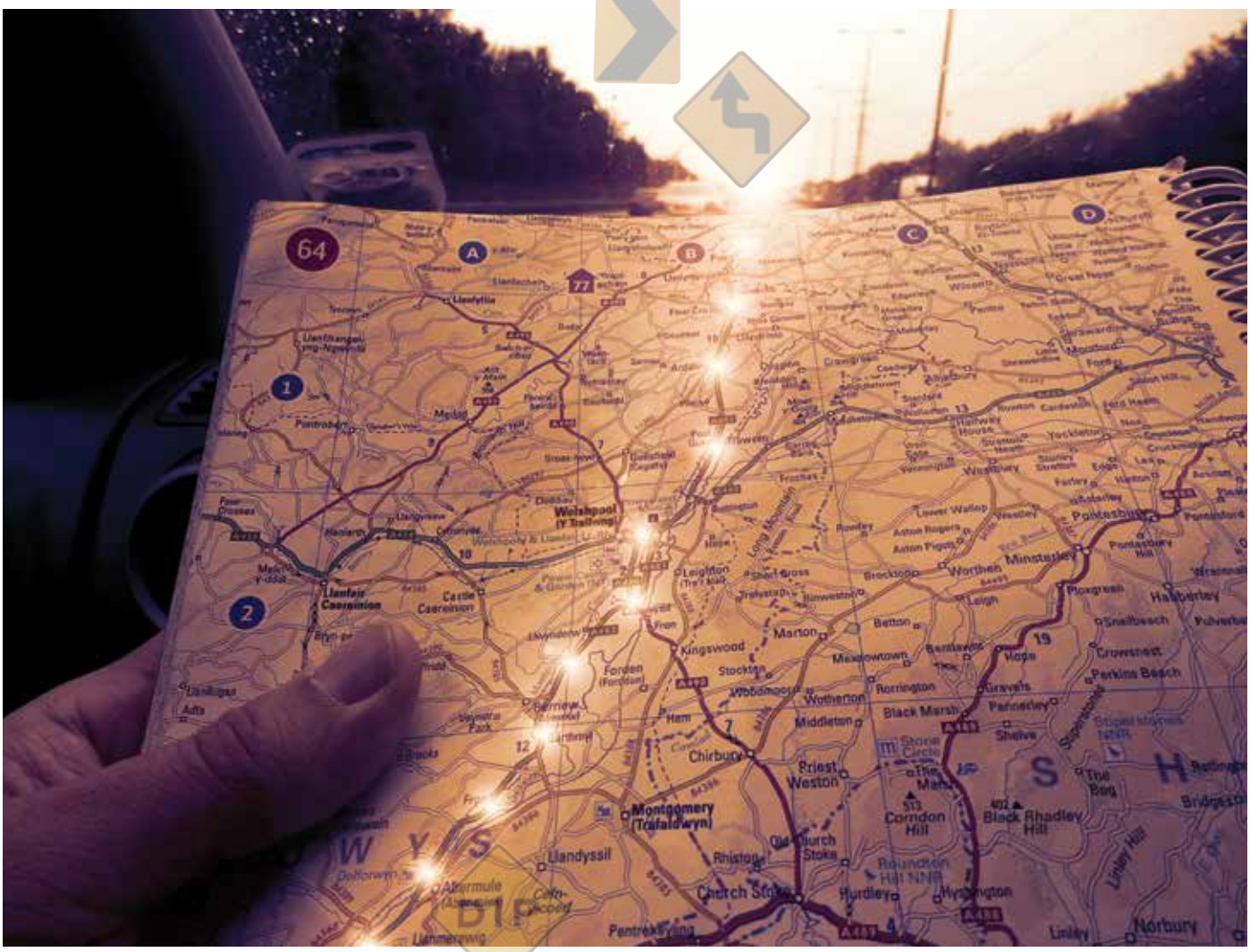
Let me try to simplify the complex elements of each key management objective of strategic planning.

Case Count

Nothing is more powerful in the operation of a funeral business than case count. Most funeral home owners watch their own case count *and* that of their competitors.

Do you want your firm's case count to be higher, lower or the same when compared with last year? I can quickly tell you that getting fewer calls is unacceptable in most cases. The only exception might be when you change the business market you serve. There are many volume-focused businesses that would rather be profit-focused, so their aim is to serve fewer families and adjust their pricing and overhead to make more money.

I also don't like the option of keeping a case count at the same level. However, there are some markets in which we try to keep the client at a level market share. In those situations, we see a market shift due to a population shift. In some cases, the market is



being price-focused by competition. When that happens, a level market share is not a bad objective.

In most cases, increasing case count is the goal. If that's part of your strategic plan, by how many calls do you wish it to increase? What will you do in the marketing or operation of your business to achieve that result? How will the result be measured, given that all calls are not equal? After all, this is not the 1900s, where each body is embalmed, casketed, has two days of visitation and a funeral service, along with graveside interment. If you've attended any workshop I have given over the past three decades, you know I do not permit the phrase "traditional calls" to be used by anyone without that person suffering the wrath of my sarcasm. All calls are not equal, and getting any increase in calls that is not accretive to profit is a fool's journey. Increasing calls that are generating a profit is the test.

How will increased calls be evidenced? Will you measure by quarter? Will you admit failure and make

changes if the case count result is not as predicted? Just proclaiming that you'll increase case count will not do it. Repeating the same old efforts will not do it. The world of marketing a funeral home has changed. Consumers want different services personally and thus look for different services from you. Though many don't want me to remind them, not all bodies are embalmed, so focusing on embalmed and casketed bodies is not realistic.

You might think case count is an easy planning objective. You may even think that it's out of your control. But effective strategic planning requires that we take three initiatives in our long-term planning as it pertains to case count.

First, we have to define cases using new rules. In the 1980s, cases were either traditional or non-traditional. We have four broad case categories today: casketed, non-casketed, third party or not for profit. Casketed cases are those in which the funeral home meets with a family that is hiring their services, and the body is placed in a casket that is purchased or leased. A non-casketed case is one in which the funeral home meets with a family that is hiring their services, and the body is not placed in a casket. A case is a third-party call when a funeral home is hired by another funeral home; this could be a direct or indirect hire to receive a body being shipped in from another location for either a funeral or interment. Lastly, a not-for-profit call is when a family is indigent or when you serve a family dealing with a child's death from which you have no expectation of profit.

Strategic planning requires that you look at each category of calls and quantify how each is using your capital assets, whether it's facility use for visitations, funerals or memorial services, or automobiles used.

Second, we have to use cases to plan. Identify the number of each type of case and the revenue per call from each, then multiply cases by revenue per call and add them all up. This result is your revenue. But you can no longer just do this for casketed and non-casketed cases. Now you must look at casketed with visitation and with service in your facility as one block of cases and then work through this computation for all case variations.

Third, we must assume we are wrong! It's tough to guess at the number of calls you will serve next year, not to mention the variations of those calls. My advice is to estimate and then multiply that guess by 90 percent. The objective is to be wrong. Allow me to explain. If your research indicates that your firm does 100 casketed-visitation-chapel cases per year, I recommend that you assume that you will do 90 percent of those types of calls (or 90 calls). If you determine your overhead properly and can provide for that overhead from 90 percent of your cases, that is wonderful. If you can cover your overhead at 90 percent, you have downside protection. Now, what happens if you assumed 90 calls and you hit 100 calls? Those last 10 calls have a very high profit associated with them. So if you hit your goal, you are more profitable than you would have assumed! More profit is good. Planning can yield good results.

Revenue

Revenue is simple. You get revenue from three sources: rental of capital assets, merchandise and service fees.

The rental of capital assets is the revenue you generate from the use of your livery and rental of your building for visitations and services. In the 30 years since the FTC mandated its Funeral Rule, these assets have gone from being two of the most frequently used items to two of the least. In 1985, by my estimate, the average funeral home had about 1.5 limos per rooftop. Today, very few funeral homes even have a limo anymore.

Another major change to capital asset rental is the facility. Churches are fighting you for the service location; in many cases, they aren't even fighting you, they are just ignoring you. They don't need you; they simply tell you to drop off the cremated remains. Some states are fighting this trend by changing the law to require that a funeral director be present at a cremation service. The absence of a law like this reduces the funeral director to nothing more than a removal service and record-filer for the state. As I see it, you have two options: You can work with your legislatures to institute laws to keep your services meaningful or train with people who can help you change your services so that people will again see added value in your ministry.

The sale of merchandise is changing rapidly as well. In 1980, you sold a casket and, usually, a vault in every case. Now you may sell or rent a casket in about 80 percent of cases, and a vault is sold to a family in only 60 percent of cases.

The revenue from service fees is your last bastion of hope, but some die-hard business owners still hope for the return of the God of the Bronze Casket. When I study the GPL of funeral homes and see that more than 90 percent have discounted service fees for minimal service choices, I wonder who is doing their pricing. Business ownership is not about fear. In his amazing book, *Who Moved My Cheese?* author Spencer Johnson asks one simple question: "What would you do if you weren't afraid?" As it pertains to merchandise, you must take control of your future and set prices for service fees to ensure your business survival.

Preneed

Of the million words I have published for this profession, I have written 10 times more words about preneed than anything else. Preneed is simple. You do not have the option to sell it or not sell it. You must sell it, and you must sell it correctly. You must use a safe manager of these funds.

Strategic planning is very easy as it pertains to preneed. Look at your average sales in the past. If you want to increase them, do something differently than previous actions. Hire a third-party marketing company. Hire a salesperson. If you are too small for a salesperson to make a living off your business, share one with a neighboring (but not competing) firm.

The tough part is making good decisions about the manager of these funds. Too often, those in the profession rely on relationships to make decisions. This is a huge decision, however, and a mistake is costly. The funeral home owners of Illinois, California and Wisconsin who suffered from errors of preneed money mismanagement can attest to that. If you are not sure, hire an expert to look over your shoulder.

Nothing in mortuary school has prepared you to make economic decisions affecting the internal inflationary curve of this business. Nothing in your required education has prepared you to invest millions of dollars or choose the financial viability of insurance carriers. At the same time, you are not inclined in your soul to be a proactive advance marketer. However, it is these three diametrically opposing forces that make up the selling, management and servicing of preneed. You need to plan for these matters or risk being the underwriter of last resource.

Where do you want your business to be on December 31, 2017? The crux of strategic planning for any firm is identifying the areas for planning and determining what will be done to make the results happen. Don't just make up a goal or objective – look at the past. The more data you use to clearly define past performance, the better your predictions for the future will be.

Overhead

This might be the easiest part of strategic planning for funeral homes. Unlike revenue, merchandise or preneed, most do a good job of controlling their overhead. But that doesn't mean you can't do better.

An overhead plan defines what you are spending and whether it's the right amount and the correct ratio (as a percentage of revenue). Ratios are funny creatures. If the ratio is wrong, the business owner must determine whether the expense is too much, the revenue is too low or both. Good strategic planning requires knowledge of your expenses, past ratios and the future forecast.

The one area of overhead in which I see mistakes made regards taxation. Too many funeral homes don't pay attention to taxation and therefore pay more in income taxes than they should. (Our firm has filed amended returns for half of the last 10 firms for which we took over the accounting.) Taxes are a very large matter. Since most funeral homes are Subchapter S corporations or LLCs, the income tax is at the owner's tax rate. Therefore, it is taxed at 34 percent to 39 percent. A $40,000 loss of deductions can result in a tax overpayment of $15,000-$18,000. Do you know how many direct cremations you need to perform to make that up?

Staffing

Strategic planning for staffing entails doing an assessment of the work people do and what you need to do to make them stronger professionals. How do you get the best value from their services?

From my point of view, we don't take staffing seriously until we are suddenly understaffed. In reality, staffing is a constant regardless of whether it is licensed or non-licensed staff. To start with, we should have job descriptions for every staffer and we should have hierarchy among the staff. We don't need all head butlers! Too often, though, we hire a licensee regardless of competency.

In writing a job description, start with the duties. Then visualize how this particular job fits into the hierarchy of your organization. To whom will the employee report and who will he or she super-

vise? Then look at the tasks. Don't pay for a lead funeral director when you are hiring for a lower-responsibility director position. Understand how the person you are hiring is going to fit into other tasks that are in addition to serving families at need. For example, what responsibilities will this employee have interacting in your community? What, if any, responsibilities will this person have as part of preneed or office work?

So as you look at strategic planning for staffing, it is a review of each person, as well as a review of the needs of the business. For example, if you serve 200 families a year with 80 percent casketing, that translates to about 160 embalmings. Suppose your casketing rate changes to 60 percent. Will you still employ the same number of skilled embalmers? Could some of your needs be met by contractors?

In the area of staffing, in my opinion, the future of this profession requires a complete overhaul. This premonition comes from the same man who said that preneed guarantees are a problem. As you plan your next year, ask yourself, "Of all of the part-time, full-time, licensed and non-licensed staff I employ, how many would I hire again today?" Do not wait for an average employee to quit. Keep searching for new staff and train your current staff.

In summary, strategic planning is an annual assessment. It's like tasting the food as you cook. You should not be surprised at the end of the year by your result. You should be overjoyed! Of course, if you do compare this to dieting, you must put both feet on the scale to measure accurately. And once you get the hang of it, it will come easier in subsequent years. Yes, diets and strategic planning both take exercise! ✶

Rental of capital assets is the revenue generated from the use of your livery and rental of your building for visitations and services. In the 30 years since the FTC mandated its Funeral Rule, these assets have gone from being two of the most frequently used items to two of the least. Very few funeral homes even have a limo anymore, and churches are fighting you for the service location.

Daniel M. Isard, MSFS, is president of The Foresight Companies LLC, a Phoenix-based business- and management-consulting firm specializing in mergers and acquisitions, valuations, accounting, financing and customer surveys.

He is author of several books and host of The Dan Isard Show at www.funeralradio.com. *He can be reached at 800-426-0165 or danisard@f4sight.com. For copies of this article and other educational information, visit* www.f4sight.com. *Connect with Isard and The Foresight Companies by following them on Twitter at @f4sight or on Facebook.*