

Business

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Combination Operations: The High Ground of the Marketing Battlefield

As I look at the past and future of the death-care profession from my perch of 30 years, there are only a few obvious conclusions. These conclusions deal with the past and project the direction of the future. The most obvious of all is this: The cemetery and mortuary combination is the most powerful marketing entity within this business.

If you wonder how that applies to your business, let me demonstrate by writing about four different examples. I will show how this one absolute axiom applies to your business.

The Single Location Funeral Home without a Cemetery

You own a funeral home. You do not own a cemetery. You have a tough road ahead. Every time you bring a burial family through the gates of a cemetery, you are promoting that cemetery. That cemetery serves only two types of families: burial and cremation families. Both of these families are the families your funeral home needs to continue to serve into the future.

Funeral home staff often object to an at-need family going to the cemetery to sign the interment orders and pay for other merchandise and services. This gives the cemetery the opportunity to meet with the family and consequently an equal chance at getting revenue from merchandise sales that could be from either the funeral home or cemetery. Families are often torn between choosing. Neither business has the exclusive on selling certain merchandise. In a combination operation, this conflict does not exist.

A funeral home is staffed by nice people. They are willing to go out of their way for their families. The concept of a cash advance came about because a cemetery wanted to get paid up front, and the funeral home did not want to put additional stress on a family. Therefore, the cemetery gets paid with the funeral home's check. The funeral home gets paid 30 to 60 days later when a family finally pays the bill. This creates hostility as the cemetery expects payment before opening the grave, and the funeral home has a lackadaisical behavior regarding billing. This is a problem for the stand-alone funeral home. The combination operation doesn't have this same problem.

The Cemetery without a Funeral Home

Goldman Sachs is purported to have coined the phrase "death care" as it marketed the shares of large consolidators. In my reality, the funeral and cemetery business are not related. There is a symbiotic relationship as both are part of serving a surviving family upon a death, but ceterierians and funeral directors are total opposites. The ceterierian is a sales-motivated person, and the funeral director considers sales to be anathema to their personality. They focus on service.

As I have watched the large companies over the past quarter century, they too have been troubled by the competing mindsets. The director of operations is one of the most senior positions in the hierarchy of these large companies. If that position is occupied by a person who came through the funeral side, the ceterierians don't respect him or her and vice versa. Of the more than 30 people who have held that job for numerous companies during this time period, I have seen only two people who can represent and get the respect of both sides. It is amusing to watch as the head of the cemetery and the head of funeral service battle for corporate power. Goldman Sachs was wrong – there is no one business called "death care."

If a cemetery elects to reposition

some of its land area for a funeral home, the building becomes a multi-purpose building. It has the interior laid out for an office and the typical service provided by a funeral home. However, the exterior is designed to provide for crypt and niche interment. The building can actually pay for itself within three to five years from the start of a sales campaign for these inurnments and interments.

Combination Operations

The combination cemetery/mortuary is a one-stop shop. It has an attraction to the funeral consumer and the cemetery consumer. The time to make at-need and preneed arrangements is much less when dealing with a combo than with two individual businesses. Consumers don't like planning funerals, so there is value by saving those two hours of their time.

I rarely see combination operations that are price oriented. The cemetery has multiple options as to interment style and price. The funeral home associated with the cemetery is rarely pressed for price concessions by consumers. In fact, if anything, the combination operation is usually cheaper than dealing with two freestanding businesses because the consumer doesn't need a processional escort and may not need a hearse.

The marketing via advance sale is dramatically different as well. A typical cemetery sale is made when a consumer is 65 to 70 years old. It involves the sale of multiple interment spaces, as often families wish to be kept together in the cemetery. Most funeral prearrangements take place when a consumer is 78 years old. So, the combo starts talking to consumers about their interment and service needs eight to 13 years sooner than a funeral home typically will.

I have helped many clients create combos or convert to a combo. When we study consumer behavior, we find the number of funerals that will be performed is predictable. I have studied many newly formed combination businesses and found that the number of funerals projected

to be serviced over five to 10 years is equal to 50 percent of the whole body interments. So a cemetery with 200 whole body interments (either ground or above ground) will perform 100 funeral services a year within a 10-year period of creating their funeral home. If you price properly, the average revenue per call will be at or near the regional averages. In today's dollars, that equates to a business generating \$600,000 to \$700,000 a year for the cost of constructing a new building. That is a strong potential for profit.

The Value-Oriented Direct Disposal Business

The value-oriented direct disposal business shares nothing in common with a cemetery. As I stated above, I never see cemeteries marketing upon price. They may have lower price options, but price doesn't drive a consumer's cemetery decision.

The Single Location Funeral Home Located in a State that Does Not Permit Joint Ownership of Funeral Homes and Cemeteries

There are many states that do not allow a funeral home to own a cemetery or a cemetery to own a funeral home. Some states don't allow funeral homes to own retorts. These laws did not come down from Mount Sinai. They were man-made. They were made out of fear that someone else could do their job or compete against their business to their own peril. The same effort it takes to pass a law can be made to get it repealed.

If you are in a state with these commercial restrictions, give strong consideration to working to modify them. The laws are there to support the weakest of the business owners/managers. To my way of thinking, it is anti-capitalistic. Bankruptcy is the salvation of the weak business owner.

If you are in a state that has restrictive laws segregating cemeteries and funeral homes, change the laws. Prepare yourself to capitalize upon the broadened offering. •