

## The Reality Primer of the Cremation Business



### The Funeral Home Cremation Business



**This is the fourth installment of a series of articles about the cremation business. In the three previous articles, I explained that there are three types of cremation businesses and outlined how the trade cremation and “no-frills” cremation businesses**

**work. This month, I’m exploring the harsh reality of the funeral home cremation business.**

The classic brick-and-mortar funeral home serves families with a well-constructed building, a full-time staff, an abundance of automobiles, a chapel, visitation rooms and a showroom. While such a funeral home may use its crematory to perform trade services for others, it’s still a traditional funeral home if it does not market itself to the general public as a trade provider.

If your funeral home falls into this category, you receive phone calls from consumers asking about cremation prices, and you answer their questions. In the back of your head you hear a voice that says, “But Zodiak Cremation Association is \$1,000 cheaper!” or “Carbunkle Funeral Home is \$150 cheaper!” and hope that the consumer does not sound disgusted with your response. You are

not in the no-frills business. Therefore, how can you compete with the no-frills cremation provider on price?

Imagine you own a steak house. You get a phone call from someone asking for the price of a Porterhouse steak dinner. Do you think that you, an upscale restaurateur, worries about the voice on the other end of the phone saying, “But Golden Corral is \$9.95 and that includes an all-you-can-eat salad bar and a drink!” If you got this comment would you elaborate on what makes you different? Do you think there is any chance that you as a steak house owner would say, “Well, we will match the Golden Corral price?” No way!

Yet as a high-end boutique funeral service operator, you will either set prices artificially low or try to compete with a company with less over-

head for the right to cremate a human being. After 30 years in this business, I still do not get it.

I get that you want the call. I get that you think there is honor in serving everyone. But it is not the number of calls that generates business profit – it is the number of *profitable* calls that drives your business profit. I’m going to focus on five key topics that I hope will give you the fortitude to cast away the demons that make you feel compelled to compete with no-frills businesses for cremation.

#### **1. The FTC Basic Nondeclinable Service Fee**

When the FTC began its governance of funeral service in 1984, it approved the concept of the basic nondeclinable service fee because funeral service proved that it needed to have one fully recoverable fee that applied to a service regardless of its type. The basic nondeclinable service fee applies without regard to the merchandise a consumer chooses or buys from another. This fee is intended to cover the common overhead of staffing, facility and phones, all of which are needed regardless of whether the call is burial, cremation or shipped out. So, in 1984 we had this fee. Then you started to voluntarily sacrifice this fee. Your GPL might look like this (I am using numbers just for example):

|                                 |                |
|---------------------------------|----------------|
| <b>Basic Nondeclinable</b>      | <b>\$10.00</b> |
| <b>Removal</b>                  | <b>\$2.00</b>  |
| <b>Transfer to crematory</b>    | <b>\$2.00</b>  |
| <b>Cremation</b>                | <b>\$1.00</b>  |
| <b>Total</b>                    | <b>\$15.00</b> |
| <b>Direct Cremation Package</b> | <b>\$9.41</b>  |

Why do you do this?

## 2. Pricing has to Equal Overhead

My staff and I work with more than 200 funeral homes a year to help them set annual prices. We wrestle with the above logic point all the time. We worked with different models of pricing for many years before we settled on the easiest to explain: If cremation is 40 percent of your business, then cremation must produce 40 percent of your overhead. It must be so for a business to stay profitable.

## 3. Taxing One Group to Give a Discount to Another

You essentially have two large groups of consumers you set prices for each year: burial consumers and cremation consumers. I do not know any way to set prices to give a discount to one group without overcharging the other. So, if you give a discount to cremation consumers, you have to be taxing the burial consumers to pay for that. In the absence of doing this, the only other thing that could suffer to make up for it is profit.

## 4. Study the Studies

The National Funeral Directors Association, the Funeral and Memorial Information Council and other groups have asked families about their thoughts on cremation. The number of people choosing cremation is increasing each year in almost every market and demographic segment in

the United States. Consumers tell us:

- About 11 percent want cremation-only with no other service, according to FAMIC.

About 60 percent have attended a memorial service, and 43 percent feel it is either very important or somewhat important to have the deceased's body present, according to NFDA.

- About 58 percent believe a cremation service occurs before or after a memorial service (a funeral with the body present) while 15 percent believe a cremation service follows a funeral with a viewing, according to NFDA.

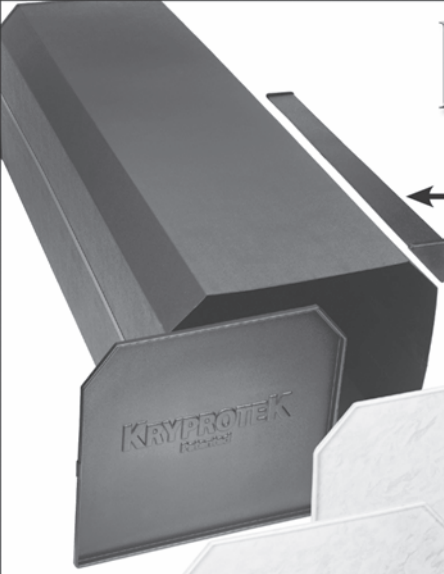
We hear the word "cremation" and assume the family wants nothing else. We are wrong.

## 5. Choosing Cremation is Not about Insulting the Funeral Director.

You serve families – all of them. It is not about religion, race, gender or other points of prejudice. •

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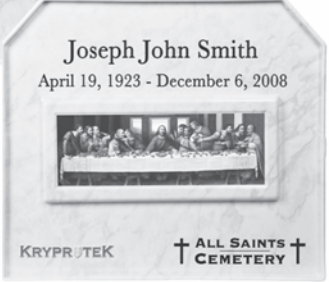
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