

By Daniel M. Isard

UNDERSTAND YOUR OVERHEAD

TRAIN YOUR STAFF

PREPARE THE CONSUMER

SET ACCURATE PRICES

Handling Price Shoppers in the Arrangement Conference

Considerations to help you prepare for a family seeking discounted pricing.

Dear Dan,

My funeral home is on the Cape. That means I deal with Yankees every day. I don't mean the baseball team; we love our Sox here. I'm talking about stubborn, frugal people. I get requests all the time to match my competitor's price. How would you recommend I handle this?

That Guy From Nantucket

Dear That Guy,

I love the Cape, having just discovered it last year. I wish I had received your letter sooner so I could have expensed my vacation. As I sat at a crab shack with some of those slimy things you guys eat, I would have said to the waitress, "Hey, Red Lobster sells these gross, gooey globs for half of what you sell them for so I would like you to reduce your price!"

I'm fairly certain the waitress would have made sure my new Harvard T-shirt ended up soaked in that salty water in which you dunk those little bivalves. Yep, I am sorry your letter arrived a year too late.

Guy, there are five distinct considerations you and every funeral home arranger must deal with when someone asks for a discount from your stated prices.

1. You must understand your own overhead. Any business can match its competitor's prices. That's easy. However, it does result in a decline in profit. You might be able to match someone's price, but if that other firm has lower overhead, then the only way to do that is to reduce your profit. They might be Yankees, but aren't you one as well? Don't you want to generate a fair profit for your labor?

The only case in which you can match price is when you match overhead! Of course, you don't know what the competitor's overhead is. Since labor is the largest component of your overhead cost, I suggest you go to your staff and tell them they are allowed to match other funeral homes prices, but when they do, half of the savings comes from their pay and half will come from yours. I'll bet that will limit this request.

2. You must train your staff to use the right script. We spend many hours training students on the process of embalming, but very little time is spent on the arrangement process. We let our directors close the door during an arrangement conference and proceed without much training or oversight. But in reality, the script for the arrangement meeting is more important than the order in which things are talked about.

When the family sits down for the arrangement conference, start by telling them what you are going to do throughout the meeting. Then present the FTC-mandated General Price List and say, "The federal government mandates that this General Price List be given to you before we start. I'm going to ask that you sign, acknowledging that I gave it to you. In this document are the prices for all of our goods and services [yes, That Guy, I like combining the CPL and OBPL with the GPL]. You will not purchase anything more than you need or wish to purchase and you won't pay any more than anyone else is asked to pay for the same services and merchandise. Do you understand what I have just explained and why the GPL is so important to this arrangement conference?"

3. You must know how to answer a question or objection. Generally, after presenting the GPL and getting a signed receipt, a family that "wants a bargain" will ask now. If someone does ask for a discount, there are several ways to handle the issue:

- You can state that since it has not yet been determined what funeral arrangements they desire, it is premature to discuss a discount in the arrangement conference.

- Ask whether they are indigent. If so, explain your indigent policy (you should have one!). If not, ask them what it is about your prices they perceive to be unreasonable? At that time, you have the right to choose with whom you do business and with whom do not.

- Explain that you give families many different options for payment, including:

- Using a preneed funeral insurance policy
- Depositing money into a preneed funeral trust
- Cash
- Personal check
- Bank draft
- VISA
- Mastercard
- Debit card
- Personal life insurance
- Employer group life insurance.

You may want to offer a discount of 2% for using cash or personal check since you don't have to pay the credit card bank-processing fee.

- Otherwise, explain that if you give a discount to them, you are going to reduce your overhead, including staffing, or will have to charge more to each family you serve hereafter.

State that you do not discriminate and don't want to charge other families more.

• Tell families everyone pays the same amount, except the indigent. If you establish that fact early in the arrangement conference, the desire to push you for a discount vanishes.

4. You must prepare the consumer. A recent Harris Poll survey on behalf of Funeralocity showed that 78% of all consumers wish that funeral pricing was more transparent. We in funeral service do not want our prices to be known, and I have discovered the reason: If we publish our prices, our competitor might copy our pricing.

YOU MIGHT BE ABLE TO MATCH SOMEONE'S PRICE, BUT IF THAT FIRM HAS LOWER OVERHEAD, THEN THE ONLY WAY TO DO THAT IS TO REDUCE YOUR OWN PROFIT.

Of course, the silliness of this concept is that you already have your competitor's prices! And allow me to be the first to tell you this: Your competitor already has your pricing!

We need to allow people to access information on the cost of a funeral regardless of the choice of burial or cremation. We should not be embarrassed. The work you do is something very few people are

willing or able to perform, so why can't the pricing be what it is? The commitment you have made as a business to facilities, livery, payroll and the on-call nature of this profession should not be performed by the lowest priced individual. Therefore, allow families to have an idea of the expected cost of a funeral.

5. You must accurately establish your prices. Prior to 1984, we multiplied the price of a casket by five or six, and that price included everything a consumer needed when arranging a funeral. Our pricing method was similar to many other retail businesses. But since the enactment of the Funeral Rule, we have itemized pricing and suddenly have no idea how to set our fees.

Today, profit margins are 30% of what they were in 1984 even though consumer spending has increased about 5% per year. What caused profits to decline while consumers are spending more? One reason is that overhead is increasing by a rate more than our service fees.

We must analyze our overhead, both operational and financial, to compute the pricing objective. Then we must estimate the way in which families will use our merchandise and services. This must be balanced analytically, not by wild guess.

We cannot be afraid to charge what our costs truly are. Sure, there are shoppers, but according to the 2017 NFDA Consumer Awareness and Preferences Survey, 74% of all respondents surveyed did not "shop" for

a funeral home. Of those who did, only half checked one other funeral home. To me, that is not shopping.

Guy, I do believe you need to have an indigent policy, which will determine who is indigent and what services and merchandise they get for what amount of money. The amount can be set according to your state, county or city pauper's payment. You can tell if you have a truly indigent person by their reaction. An indigent says, "Thank you." An indigent poser says, "Can we pay the difference and get a better casket?"

So, as you enjoy your steamers, scallops and lobstas, don't forget to wear one of those silly bibs so you don't get the yucky stuff all over your shirt! I'd hate to see you negotiate with your dry cleaner over price.

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