

STATE OF THE PROFESSION



2018 STATE OF THE PROFESSION ADDRESS

BY JEFF HARBESON

As I began to write this article, my mind conjured up the image of our country's State of the Union address. The president is announced, and upon entering the House chamber, he shakes the hands of well-wishers. Of course, no matter which party is in power, the opposition is generally less exuberant as the exalted speaker continues toward the podium. Imagine with me the magnitude of the words spoken, and with that scene in your head, I now present you with the State of the Profession address.

Fellow funeral professionals, providers, suppliers and supporters, we are living in a unique time of opportunity and challenge to our livelihood. Our noble profession serves families during a most difficult life event, the death of a loved one.

CHALLENGES CREATE
OPPORTUNITIES, AND FOR
FUNERAL SERVICE,
OPPORTUNITIES AWAIT.
NOW IT'S TIME TO EXECUTE.

Like a hospital, your funeral home does not have the luxury of set hours of operation because life can end at any hour. The men and women who serve families spend countless hours tending to the needs of others, often to the detriment of personal time with their own families. Missing birthdays, holidays and other special events is a common occurrence. And while most consumers do not have knowledge of or an appreciation for our craft, when we are called upon, all understand the importance of our mission.

The future of the funeral service profession is excellent for those embracing new paradigms of education, operations, communications and willingness to adapt to consumer demand. It's time for leaders of our industry to rise, take charge and apply contextual intelligence.

An example of such behavior is Steve Jobs. He didn't just create the Apple computer; his vision was to bring technology to the fingertips of everyone, rather than just the privileged and businesses. True leaders look beyond the current landscape to consider a broader vision of society, politics, technology and demographics. The funeral profession is in dire need of contextual intelligence from its emerging leaders.

Because our industry has so many facets, we have no one leader to guide the direction for the future. In fact, we have no collective, unified voice, as evidenced by the many similar yet autonomous membership organizations. The Have the Talk of a Lifetime program is about as close to a combined effort as I have witnessed, and support among professionals is growing.

There are more pressing issues that will have severe ramifications for many funeral service operators than a membership organization can address, nor does it have the capacity for deliverables. I'd like to take time now to review the serious challenges to funeral service businesses and look at opportunities for leaders to take charge.

Unfortunately, the major headlines regarding the funeral profession seem to be dictated by Chicken Little. Yes, cremation now eclipses burial in the United States, and the change will become more rapid in the coming years. Cremation is a challenge, but it's not the biggest challenge. I'll address the leadership opportunities for cremation later in this address.

What is the biggest expense on a funeral home's profit and loss statement? It's not caskets, hearses, limousines or building maintenance. Its personnel – the people who work in funeral homes who make our profession a profession. Soon we'll begin to see the senior ranks of active serving funeral directors decline due to retirement and death.

Unfortunately, the influx of new funeral directors to backfill for the attrition of senior directors will not keep pace. The number of bright-eyed, bushy-tailed

students entering the funeral profession is dwindling. Why would a bright student want to go into debt attending mortuary college, earning a degree and taking national exams just to work as an indentured servant, er, apprentice until finally licensed as a funeral director? How many people want to work for low pay and ridiculous hours in a stressful environment?

Without a doubt, we have firms across the country with stellar operations that are rewarding their employees handsomely. However, there are also horror stories of low pay, long hours and HR nightmares involving overtime, harassment, etc. Once again, leadership is the solution to this growing problem.

Now let's review the ridiculous licensing requirements that require a funeral director to also be an embalmer. Let's face it, embalming is an art as well as a science, but it's not for everyone. In fact, the skillset and personality requirements for an embalmer are significantly different than those for an arranger/planner. Additionally, the average pay scale for these professionals is not attractive enough to recruit the best and brightest.

The transfer of knowledge to practice is another important yet lacking facet that does not help with retention of funeral directors. Regular, meaningful training must be part of a funeral home's operations to assist with developing skills and reducing vulnerabilities.

Finally, it's time for funeral home leaders to pay serious attention to HR violations concerning overtime pay and hours. Most funeral home owners do not even have basic job descriptions, up-to-date employee handbooks or procedure manuals. The Department of Labor offers guidance and requirements for these subjects, and we have experts in our ranks to remedy what is broken.

Unfortunately, because our profession has no unified leadership, I believe that the opportunity exists for individual funeral home owners to create an atmosphere of opportunity within their firm to attract new funeral professionals who see the value of a career, not just a job.

At the beginning of my address, I stated that we find ourselves in a time of opportunity. While the funeral industry generates more than \$17 billion in annual revenue in the United States, our business of doing business has changed and is still changing significantly due to shifting consumer trends coupled with the costs associated with managing a financially healthy funeral home. One number rarely discussed is funeral home profit, which is less than 7% of revenue. It's a cancer that is permeating our businesses and is deadly to our future. Owners must get a firm grasp on the financial operations of their firm, armed with data to make decisions for profitability. Unfortunately, a majority receive financial information on their P&L state-

ments but haven't a clue how to interpret the numbers or identify trends.

It's time for leaders to step up and recognize that pricing methods should not be based on competition. Rather, they should understand their own true overhead and charge not just to cover overhead but to make some profit. After all, long-term sustainability of a business is profit, even in the funeral profession.

At no other time have so many products been made available by suppliers from all corners of the world. The quality and sheer number of choices of funeral goods has increased over the last few years, creating a buyer's market for savvy purchasers. Long gone are the days of suppliers demanding exclusive offerings of their products with unbalanced contracts detrimental to buyers. Handshakes for business are a thing of the past, and funeral home owners can use RFPs (request for proposal) to select products that fit business needs.

At the risk of upsetting the "opposition party" (those who keep the status quo and live the "we have always done it this way" motto), I am going to speak the truth: The funeral business is not unique. A business needs a service or product to offer, customers to buy those offerings, prices for those offerings (that offset the cost and taxes), payment for the offerings and, finally, to make a profit.

Again, our profession does not have a solution for the entire industry to solve this problem because we cannot regulate profitability. We do, however, have an opportunity for leaders to focus their attention to ensure that their business is poised for long-term financial sustainability, including controlling overhead, proper pricing for services/products, eliminating accounts receivables, paying attention to tax vulnerabilities and taking advantage of different product offerings. Because of technology and education, individual leaders have more resources than ever before at their fingertips, so it's time to make profit great again!

Fellow professionals, I have touched on our greatest resource – human capital – and addressed the need to focus on profitability. But I would be remiss if I did not discuss the rise of cremation in our country.

Without a doubt, we must be accountable for our poor early response as cremation demand increased. Frankly, we blew it. But it's not over until we say it's over! I am bullish on the opportunity for funeral professionals to embrace cremation as one of our great offerings of service to families. Training arrangers to provide information so families can make educated decisions can provide tremendous benefits to those we serve as well as to our bottom line.

Leaders need to provide continuous training and monitor results. For example, the presentation of cremation opportunities should always include embalming, services and products. The first part of this address was about our people, and again, people are the solution for greater opportunity for meeting the cremation demand.

The theme of financial matters loops around to matters of cremation as well. Funeral home owners, pay attention to my words: You must charge appropriately for your cremation services, period. I understand your fear of pricing with so many providers offering services for less, but you must overcome your fear with the reality of numbers. If discount or low-price cremations were all consumers desired, this article would not exist because neither would the thousands of funeral homes that support this periodical.

The truth is, your competitor does not have your overhead, and you can't charge the same for like services. At some point, the dam of burial families subsidizing cremation families is going to burst. Cremation families must pay the same fee for services as burial families. Transfer and basic services fees should be the same regardless of disposition. A cremation needs to include a full removal price, full basic services fee, transportation to the crematory (if necessary) and full cremation fee.

Cremation is not going away; in fact, it's increasing, offering funeral home leaders the opportunity to look beyond their current way of operating and into the future. To be successful, it's critical to train personnel and monitor and measure results to adapt to the increasing consumer demand. Equally important is developing and instituting appropriate pricing.

People, finances and cremation are all challenges and opportunities for funeral professionals. Our industry continues to experience a new facet in the business that did not exist in the past – technology. It is imperative that funeral homes embrace and engage with the technology available to conduct our business and serve families better. There are those among the opposition who still have poor websites, use paper and pen in the arrangement conference and shun social media as a means to bolster their position within the communities they serve.

Funeral home leaders have a tremendous opportunity to integrate technology into practically every facet of operations. Doing so reduces mistakes, eliminates waste, creates a positive family experience and increases profit.

Another piece of the technology puzzle fits into our discussion of attracting and recruiting talent. Funeral homes that embrace and use technology in their day-

to-day operations will attract a better candidate versus those operating in 20th century mode.

I would like to reiterate my thoughts on the state of the funeral profession address by quoting President Franklin D. Roosevelt: "We have nothing to fear but fear itself." We have an opportunity to develop our funeral homes into work environments that provide a noble service. Not only can we provide superior products and services to those who have lost a loved one, we can provide a secure financial future for our own families and our employees. We're at a point at which we can dictate how consumers view cremation by training our staffs to provide information to families to make educated decisions. Technology has presented funeral professionals a better way to serve, communicate and attract funeral consumers.

The only impediment to our bright future is ourselves. We have no room for complacency and hubris; it's time for leaders to step up into their rightful place. 2018 is a landmark year to embrace and engage our destiny. I ask you: What's holding you back? What are you scared of? Turn your vision into reality – all it takes is execution. ☰

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