

THRIVING IN A

Rising Cremation Environment

Cremation as a disposition process is increasingly embraced by consumers of nearly all religious, economic and regional groups, and the reasons for choosing this option are nearly as diverse as the individuals themselves.

While it's true that some perceive cremation as more economical, others simply have an aversion to ground burial or entombment in a mausoleum. Some see cremation as the greenest option available and believe it's the most responsible ecological choice.

Unfortunately, there are far too many funeral home owners/managers who focus on the economics of cremation as the sole con-

tributing factor of consumer decision making. This preconceived notion then tends to affect the style of arrangement process for families choosing cremation, as well as the pricing of cremation options on the GPL.

When a consumer calls your funeral home and asks your price for cremation, how do you answer? Do you simply give them your price for a direct cremation and cross your fingers? If that's the case, you are doing your firm and families a disservice.

Cremation is simply a choice of disposition, not the entirety of the funeral process. The choices available to a family that chooses cremation are even more varied than that of a traditional burial disposition, and a family that expresses a desire for cremation should be given the opportunity to understand those options.

Quite often, the person asking doesn't even realize that having a full funeral is an option, that after a visitation and service with the body present, the hearse simply drives to the crematory rather than to the cemetery. Even more security and peace of mind is provided if the retort is located at your facility.

And what about the final resting place of the cremated remains? Many choose an urn on a mantle, which often migrates to a less prominent location over the years. Cemetery operators have figured out how to make money on cremation. For families that prefer a ground burial, you can fit 24 to 32 urns in the same square footage as a casket burial plot. Some cemeteries offer osuaries (scattering gardens) for families that prefer to avoid the urn-on-the-mantle option.

Perhaps the single largest opportunity for return on investment is a niche structure or wall. A single niche measuring 18-by-18-by-18 can sell for thousands of dollars. A niche wall eight units high and 10 units wide occupies just 22.5 square feet. At an average price of \$2,000 for the interment right, those 80 units sell for \$160,000, plus opening/closing fees of several hundred dollars each to access the niche. With glass-front niches, families can choose to add additional memorial items from time to time, which can generate ad-

Properly pricing services and presenting families with all of their options are the keys to operating profitably.

BY KEVIN KRUGER



ditional fees. The likelihood of selling a higher-value urn also increases with this option.

What do cemetery disposition options have to do with a funeral home? They are simply to demonstrate that cremation is not necessarily strictly an economic decision. Certainly, some families prefer to avoid the cost of a casket, vault and burial plot, but others simply prefer not to be buried for a multitude of reasons.

It is very important to the financial health of a funeral home owner that cremation is not, economically speaking, a race to the bottom.

Many owners with whom I work price cremation based on their perception of what families will pay or what the market will bear rather than by what it costs to provide these services. Ironically, this is often to the detriment of families that choose a full casketed funeral service, as they are the ones that will subsidize this discount.

A direct cremation should, at minimum, include fees for basic services, removal, care and preparation of unembalmed remains and the cremation (either as a service fee or cash advance). Why would funeral homes ever charge less than this amount? They do it because their competitor down the street charges less than that or the local cremation society charges less or the guy with a billboard and a retort near the airport charges less. Often, a funeral home will charge less for a direct cremation than it does for its basic services fee. Don't be that firm!

What should you do if you find yourself in this situation? It's very simple – raise your prices!

Raising prices is one of the most uncomfortable things for funeral home owners to do. They feel that any change will immediately be noticed and commented on by the community. The truth is that people aren't constantly monitoring the changes to your GPL. Families aren't likely to be using your services on a regular basis. It might be five or 10 years or more before you serve a family again, and prices naturally increase in that interval. People understand that.

People also understand that you have significant costs/investments in

your building and staff. Those are two big reasons families are coming to you in the first place. You might not be the cheapest, but people see value in the products and services you provide. If everyone wanted a \$795 direct cremation (or less, in many markets), you'd be out of business already. You don't need to close the price gap all at once either. Do it in stages if that feels more comfortable. You will be surprised how little pushback you get. You may lose a couple of price shoppers, but that's okay.

What else can you do to thrive in an increasing cremation rate environment? How about rethinking how you present cremation options on your GPL and in the arrangement room? The FTC mandates that a direct cremation package is included on your GPL. Is that the only cremation package you offer?

People like packages. If properly demonstrated, they simplify the process and can save the family money over à la carte pricing while increasing the total amount spent with your business. By offering four different pack-

ages, you can demonstrate additional consumer offerings. A direct cremation-oriented family might know that is the exact right option for them, but others may not.

A private family viewing is a simple and meaningful step for many people, and you can offer that to a family for a very modest increase above your price for a direct cremation. It's even better if you then demonstrate a small discount on that package over your line item GPL pricing.

A very common cremation package offers a memorial service with no body present. The memorial service is such an important part of the grieving process for many families, and again, you can offer this for a few hundred dollars over the direct cremation price.

At the high end of your packages, you can offer a visitation and viewing with the body present, utilizing a rental or cremation casket. Allow me to put some numbers to the concept (see the chart below):

continued on page 48

Cremation Service Packages	Direct	Private	Memorial	Funeral
Basic	■	■	■	■
Removal	■	■	■	■
Embalming				■
Care and Sanitation	■	■	■	
Other Preparation of Embalmed Remains				■
Facility/Staff Visitation				■
Facility/Staff Using Chapel Service			■	■
Cremation Fee	■	■	■	■
Private Viewing		■		

Cremation Service Packages	Direct	Private	Memorial	Funeral
Basic	\$1,950	\$1,950	\$1,950	\$1,950
Removal	\$500	\$500	\$500	\$500
Embalming	\$0	\$0	\$0	\$600
Care and Sanitation	\$200	\$200	\$200	\$0
Other Preparation of Embalmed Remains	\$0	\$0	\$0	\$200
Facility/Staff Visitation	\$0	\$0	\$0	\$500
Facility/Staff Using Chapel Service	\$0	\$0	\$600	\$600
Cremation Fee	\$300	\$300	\$300	\$300
Private Viewing	\$0	\$250	\$0	\$0

Discount Percentage	0%	2%	4%	6%
Cremation Service Packages	Direct	Private	Memorial	Funeral
Total Itemized	\$2,950	\$3,200	\$3,550	\$4,650
Package Price	\$2,950	\$3,136	\$3,408	\$4,371
Savings	\$0	\$64	\$142	\$279



Often, a funeral home will charge less for a direct cremation than it does for its basic services fee. Do not be that firm!

Proper pricing of services is the key to operating profitably in a rising or high cremation environment. This is compounded by the reduced likelihood of selling a casket and vault. Big-ticket merchandise sales will be less common, but one of the most profitable merchandise items in a funeral home is a rental casket whose exterior can be utilized multiple times.

I mentioned previously that families

cremated remains be placed on a mantle, buried, placed in a niche or scattered, they can be placed in underwater reefs, be part of a tree planting, placed in an incredible variety of decorative or natural-appearing urns for indoor or outdoor placement, turned into artificial diamonds, loaded into shotgun shells, even launched into space.

It's important that you are making sure the families you serve are aware

of these options at the time of arrangement since some merchandise, such as thumb print mementos, must be prepared prior to cremation. While families may not choose cremation merchandise at the time of arrangement, they always have the option of coming back to purchase merchandise or services once the initial grief has passed and a more permanent resting place is desired. If you price your offerings fairly and make sure families choosing cremation are aware of their options, your business will thrive regardless of the cremation rate. ☰

Kevin Kruger is director of business analysis for *The Foresight Companies*. In addition to valuation and general consulting assignments, he takes the lead on many business succession and M&A assignments and manages the business analysis staff. Reach him at kevin@theforesightcompanies.com.



In the funeral profession, it's all about trust.

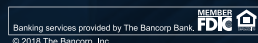
That's why you can turn to **The Bancorp's** trusted experts in small business lending for solutions to help your business grow and succeed. Our lending specialists know the funeral home industry and can tailor a financing package that's suited to your needs and goals.

The Bancorp provides one-stop lending to support a range of needs and terms through the SBA 7(a) loan program.

Our Advantages:

- SBA National Preferred Lender
- Specialized Business Development Officers
- Streamlined Approval Process

thebancorp.com



CONTACT US TODAY TO GET STARTED:



Teresa Carlson

tcarlson@thebancorp.com
310.902.4050