2018 NFDA CONSUMER SURVEY

# THREE KEY POINTS

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Believe it or not, there are few things I like more than looking at a survey! It's one of geekdom's greatest moments.

The 2018 NFDA Consumer Awareness and Preferences Survey gives a million dollars' worth of data and thought-provoking issues at no cost to members. In reviewing this year's results, I see three key takeaways that should cause all business owners to alter their business model.

This report is unique from most polling that takes place for the following two reasons:

1. This study is ongoing; you not only get the impressions of the respondents for the current year, you're also reminded of previous years' replies. The commitment NFDA has made is substantial in continuing this analysis (the first versions of the survey were underwritten by FAMIC's Wirthlin Survey).

2. This isn't just a survey; it's an awareness and preferences study. There is a motivation behind this survey. Rather than just asking respondents their degree of satisfaction with a particular action, NFDA also asks about their awareness of some issues. For example, one question asks, "The percentage of respondents who stated they were extremely, very or somewhat likely to seek information from a national consumer website that specializes in funeral service information…"

I love the question, but to my knowledge, there are only two such consumer websites out of a billion, and I doubt most consumers can name one such site. Therefore, they have no idea whether a site would be beneficial since they've never been to one. This is akin to asking people who have never ridden in a car "if they think a Cadillac is a comfortable ride." Regardless of this theoretical question, the survey is loaded with powerful material.

A negative about the 2018 report is that the demographics of the respondents are different than previous years. Therefore, some points of comparison to previous years might not be as accurate. The points of difference are:

- *Age* This year, respondents comprise about 75% more people in the age 65 or older category. While baby boomers are the wild children of our graying population, the Greatest Generation are the conservatives locked into tradition and institutions.
- *Race* There were more white respondents by about 15% compared to 2017's survey. Whites have a higher cremation rate than Hispanics and African Americans.
- *Religion* The number who identify as "religious" declined dramatically.

The radix (group studied) was therefore slightly different. This happens in most surveys. The thing they all have in common is that they have opinions about funerals and related matters.

Demographic shifts also serve as changing points for business models. The survey demonstrated a change in reliance on religious observation and ritual in two ways. First, only 38.7% felt religious components in a funeral are very important. This is down from about 50% in 2012.

When I came into the business in the 1980s, almost every funeral home identified itself as a "___" (name of religion) funeral home. I remember one small town in Massachusetts that barely had a population of 10,000 but had three funeral homes and all of them were Catholic! The difference was the language of the Mass – one was Portuguese, one English and one French.

Now, if you're doing the math and thinking that's only a 12% decrease over seven years, you are doing the math wrong. The change from 50% to 38% is about a 25% decline. If a cattle rancher found out that beef eaters had dropped by 25% within a decade, he might be planting tofu on his acreage.

The inverse is just as dramatic. About 36% stated that a religious component was not important to them. This is consistent with the ongoing survey by Pew Research Center's Religious Landscape Study. Nationally, Pew discovered that about 23% of all Americans consider themselves to be "none" when asked about their faith.

When respondents were asked their

religious preference, the two largest groups were Catholics at 22% and "no religious preference" at 20%!

Why is this significant? Our buildings look like mini-churches. We invite families to gather in the chapel. We yield to the ministers leading the services. When a family doesn't want a minister, we offer a "celebrant," which sounds like a non-denominational minister. About 23% of respondents didn't even know what a celebrant was.

About 30% said they would consider using a celebrant to lead a service. While this is down from 2017, it's still 3 in 10. Almost 18% were unsure, which points to education. When respondents were asked if they ever attended a funeral led by someone other than clergy, 46% said they had.

In our accounting practice, we see more funeral directors who take a deduction for dinners and sporting events with clergy members than any other group. Why? They hope to be getting referrals from them! Yet when clergy use the same funeral speech over and over for their career and families get no value out of the service, who loses? I think the clergy loses an honorarium, but you lose the thousands of dollars of revenue to defray your immense investment in assets and staffing to be equipped to serve.

The roots of the modern-day funeral home descend from predecessors who prepared the body to go on to its next journey to heaven or some other unseen world. But we need to be prepared to stand on our own two feet, without the aid of the ministerial community and churches. We need to offer services to all people regardless of their belief in an afterlife. We need to offer celebrants to those who need someone to organize and lead an event.

Another important takeaway from this survey continues to be that shoppers are not shopping as much as you think, and when they are shopping, price is not the determining issue.

Shopping and buying are two different acts. Shopping is about taking data. It might lead to a purchase, but it is an active act of raising our awareness of key points before making a purchase or selection. With that in mind, do consumers "shop" for a funeral home? Yes!

In this survey's results, about 67% of consumers did not shop for a funeral home, which means, of course, that 33% did. Of those who reached out to more than one firm, two-thirds wanted to compare prices. About half wanted to know the firm's service options.

The report shows that of the 33% who shopped, only 8.3% visited or called more than one funeral home. Every week, your phone rings and someone asks about prices. If consumers think all funeral homes are the same, then price is a reasonable differentiator. However, most people are not shopping. We live in fear of shoppers rather than inviting them. We need to embrace shoppers and train our staff to be an ally to them and not adversarial.

> 20% said they have "no religious preference." Why is this significant? Our buildings look like mini-churches, we invite families to gather in our chapels and we offer celebrants, which sound like non-denominational ministers.

We do a poor job of being transparent on pricing. Look at funeral home websites. Only about 15% have prices online. Most of the time, it's a PDF of the GPL, which only a government agent or another funeral professional can understand. Imagine going to an airline website and being told to "come to the airport and we'll tell you what a ticket will cost." Historically, consumers used travel agents to help them because the airlines would not. Direct booking with airlines has reduced the cost of travel by 20% or more. Can funeral service learn from this?

We also do a terrible job of explaining service options, using phrases that don't translate to the vernacular. What is a "traditional funeral"? I'll concede that in 1980, most of the country knew what that meant, but with cremation at 50% or more, is it correct to simply conclude that consumers understand "traditional" to include cremation?

Cremation was once the minority choice, and those consumers were the database outliers. If we mispriced cremation services, it didn't make a big difference in our year-end profit.

The modern-day consumer filling this void is the body donation consumer. But directors just put a made-up number in their GPL to cover this service. It has no basis and no reality to overhead. Body donation today is headed up by third-party medical companies harvesting body parts and whole bodies. They market that they will provide a "free disposition." They may even offer a family money based on the health history of their loved one. It is a real thing for now and the future.

The survey shows that consumers are interested in donating their body for medical research almost 39% of the time. That is more than those who were not interested to any degree (37%). This group is growing.

Most people don't understand what donation is all about. It is not about being a cadaver at a medical school. It is driven by the harvesting of body parts. Tommy John surgeries require good tendons. Dental implants require good clean fill. When your firm starts doing 20 to 30 of these a year for the meager amount on your GPL, you will see how much work it is for you and how misstated your prices are.

I had a client with a 700-call facility. At one point in the late 1990s, he lamented that they were doing 35 cremation cases. By about 2005, they were up to 75 cremations a year, with the same overall volume. He proudly stated, "We are only up 5%." To that I replied, "No, you are up 100%!" I don't think he ever understood the math. I predict the same will happen with body donations and your business. ≡

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