

IDEAS FOR FINANCIAL STABILITY,
OPERATIONS AND MARKETING
REQUIRE IMPLEMENTATION.

LEADERS OF THE PACK

BY JEFF HARBESON

We operate in a profession where “slow to change” is worn like a badge of honor even though this resistance is an impairment to your business and your profit.

Those who propagate new ideas are often ridiculed with the famous phrase, “My families won’t go for that,” which translates to, “I’m uncomfortable with change and I’m not going to try anything new.” The funeral profession is experiencing a steady decline in profitability, and the pressure to be successful is greater than ever before.

Interestingly, most notable ideas presented to the funeral profession in recent years have come from suppliers and are product driven. Convention floors are packed with makeover caskets (same thing, different color), expensive autos (which are in decline as much as caskets), urns (buy two, get one free) and widgets that “families will love.”

But the joke is on the funeral in-

dustry because families are going for something other than what is offered. Consumers are not choosing precious metal and fine hardwood caskets, two-day visitations or even burials.

The solutions for making more profit, enhancing operations and growing market share are not showcased in booths with glitter or free pens. In fact, “funeral stuff families will love” does not equate to more profit, enhance funeral home operations or grow market share. Ideas for financial stability, operations and marketing require implementation. Frankly, it is not a “buy,” but a “buy into” purchase decision.

It’s easy to trade in an old hearse and buy a new one. It’s simple to place the newest color casket in a display. It’s easy to replace an urn known by the staff as the “dust collector” with a new dust collector, and it’s easy to add new widgets to displays alongside all of the other “funeral stuff families will love.”

However, calculating overhead to determine a profitable pricing structure, consistently measuring financial and operational performance, training funeral directors to use new arrangement techniques (including a computer in front of families) and implementing marketing initiatives require a tremendous amount of ef-

fort from a funeral home owner. If an owner does not have the skill set to focus on the business of doing business at his or her funeral home, then a decision must be made – make the effort on their own, engage professionals or, as many choose, do nothing.

There are plenty of new ideas in the funeral profession but not enough implementation, especially when it comes to the business topics. Making successful financial, operational and marketing changes often requires outside professional consultation. As the firm I work for specializes in funeral home consulting, I’ll share an overview of ideas that can be implemented easily.

The funeral profession has evolved from a simple service of caring for the dead to a multifaceted operation. The consumers we serve have changed dramatically in how they choose to remember their loved ones. The foundational practices of a funeral director, such as transferring the deceased from the place of death to the funeral home, meeting a family to make funeral arrangements, body preparation and conducting the funeral still exist, but practically every touchpoint of funeral service needs to integrate technology. Of most importance is that each touchpoint should generate a profit.

I agree that funeral directors are called to the profession. Compassion and a willingness to serve others are innate traits similar to those of clergy or physicians. Most funeral directors are not called into the profession to analyze financial results; thus, this segment of the business is not a priority. However, it should rank at the same level of importance as serving families.

The foundation of financial stability is a complete understanding of your operating overhead. Certainly, everyone knows how much their rent is, cost of supplies, employee salaries and so on. Items that are often omitted but necessary are taxes, working capital and even a line item for profit. These should be calculated and included.

A complete and detailed overhead analysis is essential prior to determining your pricing structure and operating budget. We see various methods for setting prices in the funeral profession, and generally, they are all wrong. I have knowledge of funeral home owners who are proud of the fact that they have not changed prices "in years." The question is why?

Interestingly, most casket companies implement their new prices effective October 1, which does not align with the average funeral business' fiscal year end. Unfortunately, this event causes consternation because a funeral home owner must either change his or her casket pricing structure based on the vendor's change or wait until the firm's traditional annual price change takes place. Waiting means making less profit on the sale of caskets.

The worst pricing method is one based on competition. As Dan Isard often says, "Being one hundred dollars less than the competitor you refer to as an idiot the rest of the year is a formula for disaster." In fact, competition should play no part in your pricing structure simply because the overhead of your competitor is not the same as yours.

There is no doubt that the competitive landscape has become increasingly difficult because of direct cremation and services offered over the internet. However, overhead for low-cost or internet-based service cannot be compared to that for full-service funeral homes.

The most difficult hurdle for many

owners is to understand and share their value proposition to a family versus cower to an internet ad. I will address this from a marketing perspective later in the article, but the bottom line is consumers are simply not price driven. As the NFDA Consumer Awareness and Preferences Survey has confirmed year in and year out, most consumers make their choice of funeral homes based on familiarity of staff, proximity of the business and reputation.

Think about it – if price is the determining factor, then only storefronts and internet operators would exist. The notion of "being competitively priced" is driving funeral home profit margins into dangerous territory. A thorough understanding of charging what is necessary to encourage profit usually requires independent financial expertise. Otherwise, as this author predicts, the 7% national average profit margin for funeral homes will continue its downward spiral as the reluctance to change from a service-only viewpoint to viewing your business holistically continues.

As a funeral provider, service is the crown jewel and unquestionably the differentiator between firms. Therefore, continuous improvement of service should be a focus. When I ask funeral directors to explain the difference between their funeral home and their competition, inevitably, the top answer is, "We provide better service." When I follow up with, "How is your service better and have you ever been served by the competing firm?" I hear everything from "We have newer carpet in our chapel" to "Our fleet is newer." The underlying problem is that many funeral directors cannot plausibly differentiate themselves from their competition. Even worse, neither can consumers.

In any organization, service and operations are intertwined with brand values and leadership. A great example of service is The Ritz-Carlton Gold Standards, the foundation of the hotel's service values. Service Value #3 states: "I am empowered to create unique, memorable and personal experiences for our guests and I continuously seek oppor-



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tunities to innovate and improve The Ritz-Carlton experience.” Improvement in funeral service must be initiated with your greatest asset – your employees.

Be honest. If a funeral director or staff member had an idea, would you, the owner or manager, have the confidence to allow implementation of the idea? To create a working environment with a brand culture that is experience- and improvement-oriented dictates that changes are served daily – even The Ritz-Carlton can improve.

Embracing new ideas for service and operations is not exactly what our profession is known for. In fact, when one of the first rubber-wheeled hearses was utilized by Virginia funeral home owner W.D. Diuguid, he was made fun of

by other funeral directors. Even today, I am part of discussions in which funeral directors argue like *West Side Story*'s Sharks and Jets. They dispute using a computer versus hand-writing while making funeral arrangements. There are plenty of digital data collection software programs to use to gather arrangement information directly on a tablet or computer, reducing intake time and errors, while enhancing operations efficiency.

In today's digital world, a funeral home owner does not need to have the idea and create the system or process; it probably already exists. But they must have the idea to make a change and search out and utilize existing tools for implementation.

More simply, you can just observe current operations. When was the last time you observed your funeral directors' progression from first phone call to file closure? By making this effort, you can see the practices that are creating positive and negative influences on the presentation of your funeral home's brand. This exercise can be a source for ideas from funeral directors who may have a different way to enhance the experience for a family or make a difference operationally.

The idea is for a funeral home to have consistent service and operational standards. In far too many instances, funeral home owners allow poor service and poor operational behavior simply because they do not have the leadership skills needed to make behavior modifications.

What does that mean? An example is a funeral director with a record of high accounts receivable for the families he or she has served. Accounts receivable is a financial, operational and service issue. In order to reduce A/R, a funeral home owner must acknowledge the root source of the problem, which is the failure of the funeral director to collect funds for the services and products provided. Training must be conducted to change behaviors and meet the standard of not signing a contract until funds are secured. Finally, monitoring the new behavior during arrangements will ultimately result in a difference in the cash flow of the business.

Although this idea seems simple, nationally, the funeral profession has more than \$330 million in aging accounts receivable, which means that implementation, not the idea, is a problem. I can attest to the fact that the solution and process works because I have personally provided training to several organizations both large and small.

A large organization with multiple locations with which I worked reduced its A/R by 75% in 90 days. The funeral home's leadership understood that in order to take an idea to implementation and implement positive change, outside consultancy was necessary.

I trust that you understand my point: Having an idea is useless if there's no implementation, whether it's initiated within an organization or comes from the outside. If you or your staff do not

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have the skill or expertise for implementation, hire a professional.

Marketing is another area in which a funeral home owner generally struggles to perform. Like financial analysis, funeral home owners and managers generally have no formal training or expertise in this area. Earlier, I mentioned that most consumers cannot differentiate one funeral home from another. If “Our service is better” is the answer your staff gives to the question, “What is different about your funeral home versus your competition?” then pay attention to the following information.

Your funeral home brand is not a fancy logo, snappy motto or even “serving since Sherman burned down the South.” Remember why consumers choose funeral homes: knowing the owner and/or staff, firm reputation and the proximity of the funeral home. The first two are the major reasons of choice, and I’m going to throw out a marketing idea (free for readers) – your people are the differentiators to your competition!

Funeral home owners, directors and staff are why consumers choose one funeral home over another. What makes the reputation of a funeral home? Drum roll, please – it’s people! With this new-found idea and revelation, certainly the question is how to reach more consumers within your operational area to introduce your fabulous people.

Marketing is multifaceted and must be orchestrated from different avenues of approach (one of my favorite military terms). What does that mean? A great place to start is your funeral home website. Are there photos of your staff and updated bios for each? If your website has not been refreshed in the last three years, it’s stale. If your website is free because your casket provider created it, change it.

Think about this: In every community, there are consumers who are “your families” and others who belong to the competition. Of course, this is funeral profession lore, but let’s roll with it. Also within the same community are consumers who are neither yours nor theirs; they are the undecideds. When a death occurs in an undecided family, how do you suppose they seek a funeral home? If your answer is “they look in the Yellow Pages,” then please put down this magazine and go supervise the in-

tern cutting the grass, as I’m sure he or she is doing it wrong.

Just like you, consumers have smartphones and make a quick Google search for “funeral homes near me” to initiate their selection process. If your website is enhanced for viewing on a phone and up to date with your fantastic staff inviting the viewer to be compelled to call simply because they “have that feeling,” you have a fighting chance!

Another marketing facet is using social media to “tell the story” of your firm and introduce your staff to the community. Use video and enhance your reputation by sharing testimonies of families served.

Now, don’t fret, not all marketing is online. Funeral homes can offer educational events such as seminars on death and dying, veterans’ benefits, the top 10 mistakes made when choosing cremation and so on. Additionally, aftercare for families served continues the relationship already developed and extends the word-of-mouth marketing about your staff, enhancing your reputation. Once again, like financial and operational ideas, implementation of multi-

faceted successful marketing programs may be difficult for most funeral home owners, which means reaching outside for professional help.

I’m an advocate for funeral homes that are successful and that implement ideas for continuous improvement. However, excuse-prone and change-resistant firms outnumber those making the effort, which is unacceptable to our profession. Want great ideas? Think of how your firm can improve its financial posture to become more profitable, take time to observe every segment of your operations and evaluate why your funeral home’s brand is not leading the pack in your community. If you are unable to implement ideas, hire a professional. Otherwise, you are eclipsing funeral homes that deserve to shine. ☰

Jeff Harbeson is director of marketing for The Foresight Companies. He is also co-host of Funeral Nation, a weekly video podcast, and author of The Funeral Commander blog. He can be reached at jeff@theforesightcompanies.com or 602-274-6464.

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