

By Daniel M. Isard

Step 6: Building and Livery Investments

Some big decisions must be made on these major capital assets.

To remind you, the goal of this year's series of columns is to give you a new vision on every aspect of the management of your business. This month, I want to address the major capital assets – building and vehicles – used in the business.

So, in light of our new forward thinking, allow me to pose four questions. Simply answer them in your mind as I'm working with a new AI software to tally these results. (After all, the financial decisions of many owners managing their businesses are made on artificial intelligence, aren't they? I'm just on the cutting edge.) After answering the questions, you might either write the rest of this column for me or feel like you've read it without actually reading it. Here we go:

QUESTION 1: If your funeral home burned to the ground, would you rebuild it just as it was? ___ Yes ___ No

QUESTION 2: If your limousine was in an accident and deemed totaled, would you replace it? ___ Yes ___ No

QUESTION 3: If your hearse was in an accident and deemed totaled, would you replace it?
___ Yes ___ No

QUESTION 4: If you were to rebuild your funeral home building, would it be the same square footage? ___ Yes ___ No

With help from the internet and an app from “omniscience.com,” I can tell the following based on the answers of all who are participating:

QUESTION 1: 86% of respondents answered no, they would not rebuild the funeral home as it was before the fire. Of the 14% who said yes, half were thinking, “That’s what Dad would have done” and the other half just answer yes to any polling question.

QUESTION 2: 65% said no, they would not replace the limousine; the remaining 35% responded, “What’s a limousine?”

QUESTION 3: Now, this an interesting result. Almost 90% said yes. However, this group also answered yes to questions about buying church calendars, Yellow Pages advertising and not billing for funerals until 30 days after the service.

QUESTION 4: This, unfortunately, was a poorly written question. While 70% answered no, most did not know how many square feet their existing property was or if the number included the basement and garage.

REAL ESTATE

In the interest of clarity and vision for the future, I beseech all of you still reading to wake up! As a profession collectively, we probably have \$13 billion tied up in real estate, and the building is usually the largest investment of capital in owning a funeral business. For those who rent from a nonrelated party, your rent is the third-largest cost of operations after staffing and cost of goods. Simply, you’ve got a bunch of money going into that building. Is it giving

you would. It's time to rethink your business model for the future.

If the use of the building is declining, should you charge more for its use each year or less? It's another question you should be contemplating. Assuming you're in compliance with the omnipotent Funeral Rule, might it be something you offer for less?

LIVERY

The same is true for this profession's livery. Before the FTC's Funeral Rule, I understood that funeral service was the second-largest SIC (Standard Industry Code)

for the ownership of automobiles, behind only the car rental business. Yet, immediately after the 1980s ruling, the use of limousines declined. When it was free (or included in the package), families felt good about choosing the car and driver. But when they were told the car and driver cost X amount, families began opting out. By my estimate, fewer than 5% of all funeral homes have limos anymore.

Just as expensive is the hearse. I clearly remember a dinner I had with two industry stalwarts who enjoyed pushing each other's buttons. Both are still alive, so I won't unveil their identity, but the exchange went like this:

Mr. A: Hey, Mr. B, I have a question for you. What is more important: the body or the casket?

Mr. B: I am incredulous, Mr. A, that you would ask a stupid question such as this. It is the body that is most important!

Mr. A, sensing his pending ability to put Mr. B in checkmate: Then why is it that we put a body in a \$10,000 removal vehicle, but when it is in a casket, we place the body and casket in a \$100,000 vehicle?



Do you have what it takes?

From spending hours tracking down a special song for a service to organizing a book drive for children in need... **the very best funeral homes do more than what is expected for the families and communities they service.**

For 40 years, NFDA has recognized this commitment to going above and beyond with the Pursuit of Excellence Award.

If your funeral home exceeds expectations before, during and after the funeral, you may already qualify.

Entries due July 15!



nfda.org/pursuitofexcellence

**LIVERY VEHICLES
MAKE UP LESS THAN
3% OF THE ANNUAL
BUDGET OF A MODERN-
DAY FUNERAL HOME,
AND IN SOME
CASES, IT'S 0%.**

Mr. B moved to change the subject, knowing he'd been ambushed.

Still, the question should be answered. I remember one client who had two hearses. The first was a current-year model, and he charged \$895 for the use of it, and the other was 10 years old, and he charged \$395 for its use. He was mortified that nine out of 10 families chose the older hearse! How many of your firm websites have pictures of your beloved cars! They mean something to you be-

YOUR FINANCING EXPERTS

ACQUISITION ▪ EXPANSION ▪ INVENTORY CONSTRUCTION ▪ REFINANCE ▪ WORKING CAPITAL

Whether you're seeking to buy a funeral home or sell a funeral home, our team is ready to offer solutions. Our financing expertise and industry knowledge will help you reach your goals and build your legacy.

Explore your options at:

liveoakbank.com/funeralfinancing



LIVE OAK BANK®

cause you work very hard to pay for them. But alas, the world and your consumers are changing.

WHAT ARE THE SOLUTIONS? Evolutionist Charles Darwin, when talking about extinction, said species must migrate, mutate or die. I contend the same pertains to the funeral service profession and its business. So, while you wait for your building to burn down, I propose the following for your physical structure:

- Do nothing. Hope and pray. But while you're looking for divine intervention, please market differently. Explain to families why they need to use your building. Let families talk about it. Make it valuable. Offer other services, such as receptions (and if your state law doesn't allow that, work to change your state law).
- Move to a smaller building. Make that building more functional. Have alternative sites available when you need a large chapel.
- Merge your building with another provider. While you're at it, maybe just merge altogether. End the duplication of expenses you both deal with. Remember last month's column about staffing? Two funeral homes operating as one need less staff than if they operate as two.
- Sell out. Let it be someone else's problem. Short of that...
- Enter into a sale-leaseback with a company and get your money out of the building.

Funeral service has been progressive in the ways we protect our investments in livery. We do not employ as much as we used to. We use third-party limos and other vehicles. We use hearses longer. We employ multi-use vehicles that can accommodate a casketed or uncasketed body, whether it's a hearse or an SUV.

Vehicles make up less than 3% of the annual bud-

get of a modern-day funeral home. In some cases, it's 0% of the budget as professional livery needs are a cash advance. This is half of what it was in the 1980s!

A FEW YEARS AGO, I was in the amazing country of Bali. At one point, our driver/guide stopped due to traffic caused by a funeral procession. Ahead, we could see people carrying the body in a coffin in a decorated, multi-level tower (a "wadah") as the group moved toward the cremation area. I asked the driver if we could see a Balinese funeral home. He looked at me quizzically and asked, "What is that?"

In Bali, no one is employed to help a family deal with their dead. At first, I thought, "This is clearly a third-world country." But another thought quickly followed: "Or could it be they are more developed than we are in the evolution of caring for their dead?"

Dan Isard, MSFS, is president of The Foresight Companies, a business and management consulting firm specializing in mergers and acquisitions, valuations, accounting, financing, human resources services and family surveys. He is author of several books and hundreds of articles. Reach Isard at 800-426-0165 or danisard@theforesightcompanies.com. Check out his new video blog at theforesightcompanies.com/video-blog. For copies of this article or other educational information, visit theforesightcompanies.com. Connect with Isard and The Foresight Companies by following them on Twitter at @f4sight, LinkedIn and Facebook.

Financial/tax advice in this article is for informational purposes only and may or may not apply to your individual position. Readers are strongly encouraged to seek the counsel of qualified advisers before undertaking any action based on this information.

FOLDABLE FUNERAL FANS

FOR A FREE NO-COST SAMPLE, EMAIL sales@swansoninc.com

ONLY **\$1.59** EACH
SOLD IN PK OF 6

Swanson
Christian Products

800-251-1402
swansoninc.com
CUSTOM FANS AVAILABLE

TO EVERYTHING THERE IS A SEASON, A TIME FOR EVERY PURPOSE UNDER
heaven

58263

HE WILL GIVE YOU
peace

58264