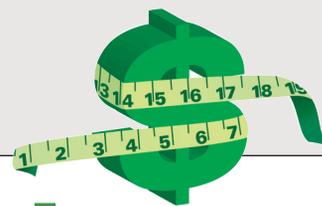


Financial Fitness

[financial management for your business]



Talk Dirty to Me!

By John T. McQueen, director of client experience, The Foresight Companies

In funeral service, it's all about that dirty word.

Businesses and families alike have all been faced with major challenges in 2020, largely in part due to COVID-19 and the devastating effects it has had on life, liberty and the pursuit of happiness, which includes financial independence. Funeral service is no different ... or is it?

If you have been in the profession for any significant length of time, you have heard someone say to you, "Well, at least your business is recession proof, because people are always going to die." Although this may be a true statement in many ways, we have seen the effects of what happens when family and friends cannot come together to honor, celebrate and remember a life well lived. In many instances during the pandemic, we have seen our business shift to one of immediate disposition, resulting in lower revenues and diminished profits (there, I said it ... profits!).

For most of us, we entered this profession for some altruistic reason, like helping a family heal during their time of loss. Yet, like all businesses, we must face the reality that without profits, we cannot stay in business very long. We also cannot afford to provide the level of services and amenities necessary to show today's consumer the value we bring to the customer equation. We also cannot afford to offer the many benefits (health insurance, retirement plans, time off and wages) necessary to attract the best and brightest to our teams.

Some of the realities facing our profession today that are affecting profits include average revenue per call is leveling off; the cost of operations – led by payroll – continues to rise; and the product/service we offer is a need versus a want. In addition, due to social distancing requirements, we have been



John T. McQueen

forced to find new ways to connect with families in a virtual world, all of which comes at an added expense to the firm. The only variable that remains in the business model is profit. So, what can we do as an employee, an owner, and an industry to address the risk of falling profits?

My father always said, "If you watch the pennies, the dollars take care of themselves." It was sage advice as controlling cost is always a way to aid in boosting profits. In times of prosperity, we become comfortable, and in that comfort, we become less committed to our financial stewardship. Unfortunately, you can only cut costs so much before you begin cutting services, thereby detracting from the overall customer experience, which calls into question, in the minds of consumers, the value we bring to the table. When there is no perceived value, price becomes the driving factor in the decision-making process.

Instead, let's focus on ways to improve profits by adding other services

and increasing the perceived value we bring to the consumer.

The low-cost provider: Developing a low-cost operation can be a way to gain market share and improve profits, but it can also be a road that is ridden with potholes. A successful low-cost operation involves much foresight and planning. Too many successful funeral operators have opened these locations and stumbled, cannibalizing their existing funeral homes, and causing profits to fall even further. Adding the low-cost operation to your tool chest can be a benefit, but it requires a much deeper conversation than is available in this article.

Private crematory: We continue to see cremation rates rise throughout the country. The addition of your own private crematory will require some upfront capital, but the competitive advantages far outweigh the initial investment. Rather than being subject to price increases from a third-party crematory, you reap the benefits of lower per case cost. Additionally, you can promote that you own and operate your own private crematory because you realize how "chain of custody" is so important to the cremation family. This elevates the value-proposition for the family and in turn allows you to charge a higher fee. A private crematory allows you to be in control of your future.

Preneed sales: In some areas of the country, this is the other dirty word. However, it is all about perspective. Instituting an active preneed program is a great way to build your at-need business and market share. Regulations vary throughout the country regarding licensure, insurance versus trusting and more, but developing a program that compliments your

current business is a viable solution.

Some states, such as Florida, have liberal trusting laws that can provide your company with immediate cash flow today to pay marketing and commission costs associated with the program, aid in reducing debt, financing that crematory, or acquiring another colleague's operation. There are even creative concepts you can develop by working closely with your trust administrator that brings added value to the consumer and facilitates the sales process.

On the other hand, using preneed insurance can be a viable way to fund your future business. The third-party insurance provider handles all logistics such as monthly billing or bank drafts, freeing you up to serve more families. In addition, the insurance commissions can be used to fund your preneed program. In fact, several of the preneed insurance providers offer added services, at no cost to you, to aid in recruiting, hiring, and training counselors, paying for marketing expenses, and other processes to achieve success.

Receptions: I grew up working for a father who did not believe food or drink should be allowed in the funeral home for fear someone would spill coffee on the carpet. However, times have changed and having food and beverages available to families is a great way to improve customer satisfaction and increase profits. Let us look first at the effect that food and beverage has had on other industries. Every major car dealer now has a customer lounge with an assortment of beverages and snacks, along with free Wi-Fi and televisions to enhance the customer experience and to keep you in the showroom longer so you'll consider upgrading to the new model. Wawa, an American chain of gas station and convenience stores operating throughout the East Coast, dedicates much of its retail space to its sandwich shop. In fact, many customers consider Wawa to be a lunch spot that happens to serve gas.

Most funeral homes have ample room, perhaps with some reconfiguration or reallocation of use, to add reception facilities, without large outlays of cash. In addition, most caterers are used to providing venues a commission on the sale of food and beverage. Imagine if you could keep people in your facilities longer, creating a celebration that provides value to the customer, and generates rental fees and commissions for the business.

Pet cremations: I know some of you are thinking, "I didn't get into this business to handle dead pets." I can relate, because when I got into this business, I never thought I would be handling dead pets either. However, I challenge you to change your paradigm. Rather than looking at it as handling dead pets, look at it as helping all families heal who are grieving the loss of a beloved family member. Pet cremations can provide funeral homes increased revenue, market share growth and free marketing.

There are differing opinions on how best to brand and market your pet business. The right answer lies in your goal. Is your goal to build a pet business or is it to expand the market share and profits of your funeral home? Mine was the latter and that is why we included the funeral home name with the pet brand to cross market both. The results were over 2,800 pet cremations annually, but more importantly, we were averaging between six to eight new funeral cases per month because we cremated someone's pet.

Technology: Embracing the use of technology has been an area of slow acceptance within our industry. In fact, I read a recent article that poked fun at our profession, stating many funeral providers still have typewriters and fax machines, while the remainder of the world has embraced the digital revolution. If you have not embraced technology yet, now is the time to jump on the train, or be left at the station. By implementing the use of technology, you can meet the needs and

demands of your clients, because going forward, a segment of your clientele is going to want to continue planning virtually.

Step back from funeral service and think about the rest of the world. Uber and Lyft, using mobile apps, have replaced the cab industry. Airbnb has taken over the market dominance in the lodging industry, formerly held by hotel giants. Grubhub, Uber Eats and others have brought food delivery to locations and restaurants that formerly did not offer such services.

At a minimum, why not eliminate your selection room and convert to a virtual arrangement room? By doing so, you can free up inventory cost and convert your selection room to an additional revenue generator.

Payment collection: A great way to improve cash flow and add to your profit is to eliminate or significantly reduce your accounts receivable. Many funeral professionals still struggle with collecting payment at the arrangement conference or prior to services. For many, this struggle is simply based on the fear of upsetting the family by asking for payment. However, most people never go anywhere planning to make a purchase and not expecting to pay for the purchase, whether by cash, check, credit card, or financing. Funerals are no different and should be treated as we would treat any other purchase.

Reducing accounts receivable will significantly impact your business in a positive way. Face it, none of us like to be collection agents after the funeral, not to mention the more we hound the family for payment, the more negative the experience. Get the finances out of the way and then just deliver a great funeral experience for the families you serve.

We have heard all about "the new normal" that will be occurring, not just in funeral service but in our daily lives. Why not let your new normal focus on improving profits? •