

By Daniel M. Isard

Graduation and Chapter 1: Operating in a Pandemic

Dear readers: Since 2006, you have endured my monthly column, Finance 101, and worked hard to read each installment without moving your lips, perform math without pencil and paper, and avoid laughing out loud as you read the column in the back of church during a service.

(Cue *Pomp and Circumstance* background music.) Well, congratulations and move your tassel to the other side because we're now going to take things to the next level and enter the realm of Finance 201!

So, what's the difference between 101 and 201? Like any good professor, you spoon-feed the freshmen and then exasperate the sophomores (i.e., it's your time to be exasperated). Finance 201 will not look at your business but rather at the businesses of others. This column will also feel more "interview-ish" as we learn from those who are doing things correctly and listen to the confessions of some who did not.

Like any advanced class, there will also be supplemental learning. In this case, a video interview will complement my articles. Sort of like watching the director's cut of *Game of Thrones*, these videos will be loaded with in-depth information that could not be contained in the limited space of a written article.

With that, I now present to you the first installment of this newly evolved column.

OPERATING IN A PANDEMIC

Like any good circus ringmaster, you have multiple areas to coordinate in your business. You do not want the 23 clowns in the Volkswagen Bug, for example, to drive into the lion's cage (unless you really hate clowns). You also have your personal life and your professional life to balance, as well as your professional responsibilities and your business obligations.

Unfortunately, as of March 2020, COVID-19 changed everything. If you're reading this, then you have survived the pandemic thus far, but more than a quarter of a million people have died (as I write

this), many whose time was not "predictably up." The annual U.S. mortality rate has been about 8.6 to 8.8 deaths per thousand, resulting in about 2.8 million deaths in 2017. Due to the coronavirus, the number of deaths will probably rise above 3.0 million deaths for 2020 after the final tally.

Again, COVID-19 changed "all three rings in your circus." Therefore, I interviewed two people who offer their insights on how they are reacting to and changing the funeral business due to COVID-19. The first is Jeffrey Wages, president of Wages and Sons Funeral Homes & Crematories in Georgia, and past president of OGR and FAMIC. The other is Chris Cruger, COO of The Foresight Companies, who provides counsel to firms large and small throughout the country. In addition, he recently conducted a nationwide survey on consumer expectations.

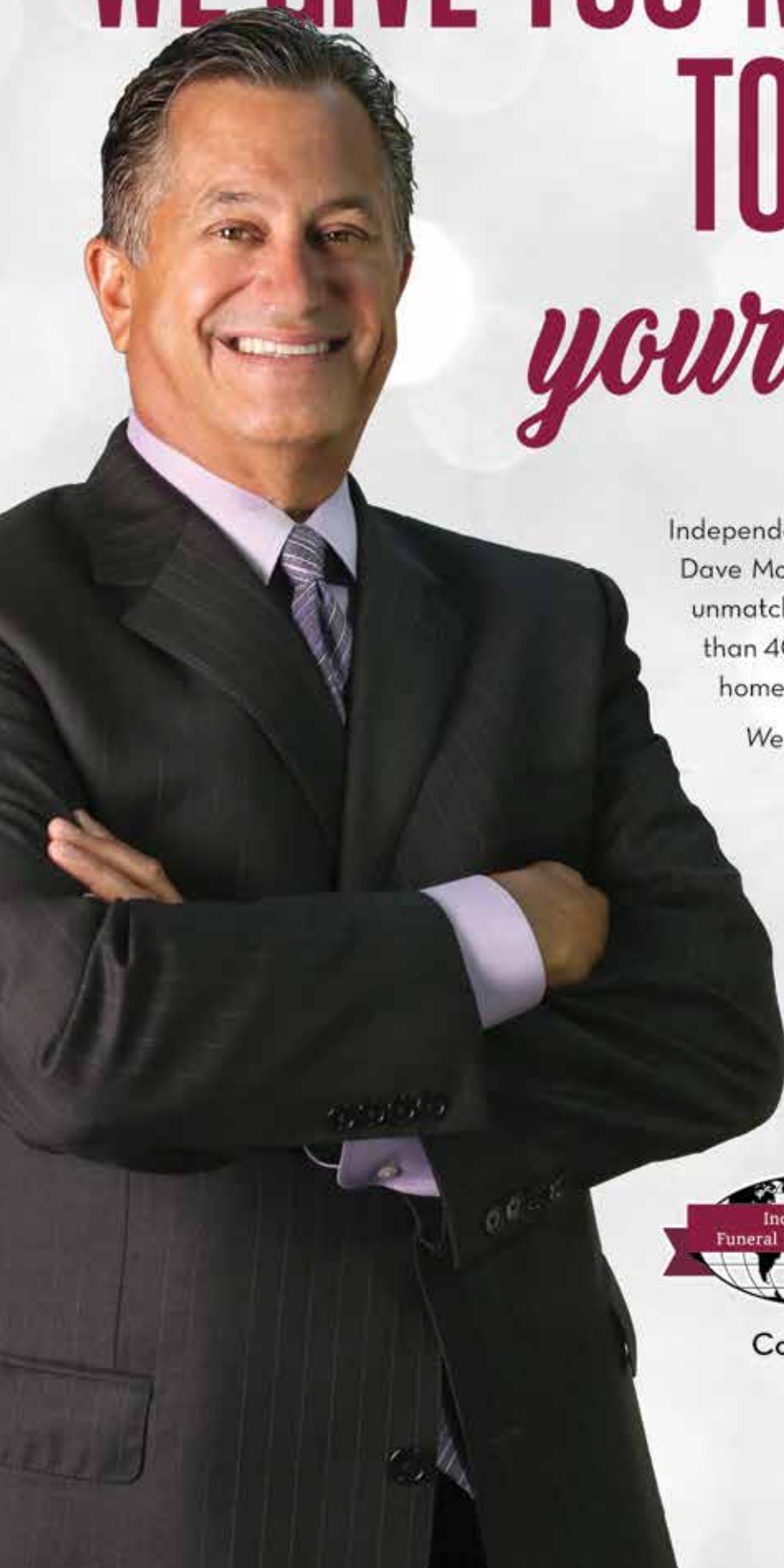
Three aspects of the business have changed dynamically: internal operations, family expectations and revenue. As far as internal operations, Wages said, "We have always focused on the proper use of universal precautions. Now, this pandemic is bringing contagions through the front door and not just through the back door."

This is a very important issue, as providing a safe workplace has never been more difficult. Explained Wages: "You have a family member who died of COVID-19, but there is a chance that other family members might also have been exposed. Now you have to make your facility safe to serve *all* of those family members as they try to memorialize their loved one as normally as possible during these difficult times."

To help families use his firm's facilities, Wages had to make changes. "We have removed our selection room and use it as a multi-purpose room, which has turned out well," he said. "We converted this 1,500-square-foot room, which was only entered by about 35% to 40% of families but is now used by all. We have also gotten rid of some dividers to make rooms bigger."

As mentioned earlier, Foresight (and SoCal Ap-

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proach Group) conducted a consumer survey in May 2020. The study was designed to assess consumer attitudes about funeral homes before, during and (presumably) after the pandemic. Cruger said the survey tried to establish consumers' relationship with funeral homes, i.e., What was the consumer looking for?

According to Cruger: "Funeral service has gone through some dramatic shifts, and [consumers] are not going back to the old ways. Consumers had three profound takeaways: price transparency, use of technology and physical attendance at funerals. Physical attendance means how we plan and how we celebrate and attend funerals."

Approaching each of these changes, Cruger stated some alarming survey results: "Transparency is about education rather than price; it is value. Seventy-five percent of all consumers expect to find pricing online. Even more profound than that, 56% of all consumers say they will *only* do business with firms that put their pricing online."

In other words, people no longer "wander the streets" gathering price lists. Many are not calling any longer. The online world is an important part of your ability to educate consumers.

In some cases, these changes affect spending on funerals. Said Wages: "Families, in a lot of cases, are not choosing embalming even if they are still burying. They are opting for one-day services – no visitation the day before or a visitation a few hours before going to the graveside."

He added: "It impacted us on several of our revenue line items. We have not adjusted prices to overcome those differences at this point."

As a consultant to funeral homes nationwide, Cruger also seized on the need for effective pricing: "The first thing funeral directors should *not* do is stick their heads in the sand. Business managers need a clear, written plan. You need to create a value proposition. Make sure your pricing is right. Pricing must be focused on the items and products the consumer is looking for. Remember, families are not telling us they don't want to spend the money, but 44% are telling us they don't see a lot of *value* in spending money on a casket. They do want to spend their money on celebrating their loved ones, but doing it their way."

In simple terms, overhead is not changing, but revenue is. Therefore, businesses need to reassess their General Price List allocations. As owners and managers look at their General Price Lists (GPL), they should amend them as soon as they see consumer spending changing. If the fees for staff and facility have declined – whether because individuals fear gatherings or government mandates restrict them – there is nothing that should keep a funeral home from raising needed service fees.

Raise the basic non-declinable, raise removal and transport fees. Remember, there are some things that Uber and Lyft will not do that only you can! When the country has a vaccine, you can rebuild the allocation on your GPL as it was.

For the most part, heritage funeral businesses are mostly fixed-cost businesses. If revenue is down, then profit is down. So how does a business manager adjust for that? Shared Wages: "We have made some reductions in salaries of our top people and made up the difference by having more families that we are serving."

Stated Cruger: "Listen to what the consumer wants and give them a double portion of it! It is equally as important to understand what the consumer doesn't want and remove the obstacles."

Operating in a pandemic is unlike anything imagined. Every business and person you look at has been forever changed in their thinking. Many businesses are no more, falling to the pressure of changing consumer consumption. As Warren Buffet said, "You learn who was swimming naked when the tide goes out." Many businesses were undercapitalized or unable to adjust.

Funeral service has not been affected by lack of services, but it has been tested by too many calls and stress on both consumers and professionals. Funeral homes were tested in many markets as they became hot spots of infection.

If New Year's 2020 was a memory of the *Auld Lang Syne* times, 2021's entry had hundreds of thousands of acquaintances memorialized. Wages and Cruger encourage us to stay safe, care for the safety of our staffs and make the necessary changes so your business does not fall victim to the pandemic.

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