

By Daniel M. Isard

Survival

The magnitude of the pandemic means you must reexamine your business from every angle.

The past 12 months have been the longest in the history of mankind as we endured agonizing experiences caused by COVID-19. It was on March 11, 2020, that the World Health Organization declared COVID-19 a pandemic.

And funeral service changed.

Just as those who survived the Great Depression were never the same, everyone in America (and the world) will never be the same. In the world of funeral service, we have seen every dynamic of the business change – from the behavior of consumers and their support teams to the professionals. As consumer behavior changes, funeral service professionals must adapt. And while funeral service typically does a bad job reacting to change as a profession, the magnitude of the pandemic means you must revisit everything you do.

From my perch, I watched the profession struggle due to two opposing dynamics: as a provider of services and as a broken business model. From a service provider's perspective, the pandemic unleashed its fury on many regions of the country, testing the mettle of staff and facilities. Firms that would normally serve 200 families a year were serving 30 or more a week.

There were also challenges to space to safely hold bodies, the quantity of staff to perform removals and meet with families, the ability to provide care to grieving families and protecting the caregivers within the business. I saw one small outbreak in Tucson, Arizona, reduce a funeral home staff of 10 to three because seven were infected with the virus at about the same time. The owner of another large business told me in December that 11% of company staff had been infected when, at that time, the U.S. average was about 4%.

During the past year, we've also seen funeral homes make the news – for good and for bad reasons. The dedication of one funeral home in New York City was featured in an extensive article in *The New York Times*, while several others were featured in articles as locations of “super-spreader events.” There were hundreds of articles about all aspects of this busi-

ness, which is not new, but none of them featured content dealing with prices or included comments from Joshua Slocum. In the media, funeral service, by and large, showed its heroism in unwavering service to families. But what was the long-term cost?

Well, the business model of funeral service prior to 1985 was a merchandise model. A family bought a casket and got all the other services of the funeral home. Then the Federal Trade Commission issued the Funeral Rule in the latter half of 1984 and funeral service went from a merchandise model to a service and merchandise model. As cremation and partial services increased in popularity, that business model evolved into a service fee model, in which businesses rely less on merchandise to recoup their overhead.

This model, beyond the basic nondeclinable fee, had service fees for:

- Removal of the body
- Care and preparation of the body for viewing
- Transportation of the body to the place of shipping, cremation or burial.

But the largest source of service fee revenue, beyond the basic nondeclinable fee, was for staff and facilities. This service fee category includes using your building for a gathering without an organized service (a visitation or reception), as well as for a gathering for a service either within your building or at a third-party facility, such as a church. Service fees ranging anywhere from \$1,000 to \$1,500 might make up part of a total funeral bill of \$6,000 or more and would be allocated to orchestrating the gathering.

Due to COVID-19, however, governments have either forbidden gatherings at times or consumers have been afraid to hold/attend them, thus either reducing or eliminating this revenue source. What happens when you reduce total revenue by 15% to 25% while your operational costs are hardly impacted? The lost revenue does not make it to the bottom line and, therefore, your dollar-for-dollar profit is impacted.

Now, I can be quite cavalier about the economics,

but I also know that grieving families need and appreciate time spent with friends and families. Mourners find comfort in the rituals expressed in these ceremonies as they gather. Unfortunately, most of those who died from COVID-19 died alone, and the survivors, unable to be surrounded by loved ones, acutely feel their own sense of isolation.

For this month's column, I spoke to two people who run larger, privately owned funeral businesses about how they brought about changes to their companies. They both shared some of the things they did to keep funeral service relevant and consumer satisfaction high, as well as how they adjusted their business model to meet the pandemic's potential impediment to profit.

David Hernandez owns funeral homes in New Jersey and Pennsylvania, and funeral homes and cemeteries in West Virginia. He is a hands-on funeral director, manager and business owner, and I would say he is part of the next generation of owners who possess new ways of doing things. Just 20 years before COVID-19 hit, Hernandez was an apprentice, but through hard work and a strong vision, he now runs these businesses.

His entry into the business is not unlike that of many funeral directors – he learned from his mother. “My mom was my mentor. I bought my first funeral home in 2009,” Hernandez told me.

His New Jersey locations were part of the first hot spot during the pandemic. Said Hernandez: “It was like a light switch went on in the beginning of March and didn't go off until May. Then we had the summer that was a little bit of a break and then it ramped right back up again. What happened in funeral service – with the influx of the death rate, their loved ones, the impact on the staff – was nothing I had ever seen before.”

His businesses did 40% of their annual expected volume in a six-week period, but Hernandez's shock was not without comparison: “I had gone through 9/11, Hurricane Sandy and, like many funeral directors, I had been through some terrible tragedies. I don't think anything prepared us for what we experienced in March, April, May and, now, the resurgence.”

Service and business limitations required Hernandez to come up with creative offerings. “We had to find a way to create value for families. We had pre-needs that were irrevocable and had money prepaid on items they no longer needed, like hundreds of prayer cards or expensive flowers. Families didn't want to come back in a month or two for a deferred memorial service.”

His brilliant solution to help families hold a normal funeral in abnormal times was to create mock

gravesides: “We have a property. We called our vault manufacturer. They put up a tent and a vault lid, and we would process to that property for a graveside service, with everyone keeping socially distant and participating.” Then, after the service, only a limited number would go to the cemetery for the actual interment.

The state made service to families difficult, too, said Hernandez. “New Jersey said you are not allowed to turn down a family. If you can't serve a family, you have to call another funeral home. The word ‘no’ is not an answer to families. It is in our DNA to say ‘yes’ to families.”

This was a case in which bigger might be better. “We had a deep bench of interns, staff and locations we could shift cases to,” he noted. “Everyone was on board; the schedule was no schedule – everyone just got it done.”

Hernandez also found ways to accommodate the above-normal caseload and price shoppers. “We needed to make a quick shift in how to talk to families on the phone. They are sitting there waiting and waiting. We felt the communication had to step up. We instituted text messaging and Zoom. All of these tools and products had to be put into practice.”

To deal with billing, Hernandez implemented technology solutions, including an e-pay link, to promote quicker payment by families and cut down on his accounts receivable time. His company also instituted new ways of communicating with consumers shopping for a funeral home: “We were able to be on the phone with a family and put quotes to families that were shopping. There was an e-pay link in the quote. The services ranged from direct cremation to full burial services.”

To my way of thinking, this is much better – more substantial – than just giving a price to a shopper over the phone. Regardless, Hernandez definitely found the resources and tools to lead his company through this pandemic.

I also spoke with Rick Noel, who, along with business partner Kim Kandaras, owns 11 funeral homes in Nevada and California, and one cemetery. In Reno, the Walton Funeral Home business had represented more than 60 years of service in northern Nevada.

Noel and Kandaras bought this business just about a *month* before COVID-19 was a thing. But while they were new owners, the two had been running these businesses for more than a decade for the previous family that owned them, with Noel as general manager and Kandaras as CFO. That said, they had to adapt quickly or risk losing everything. Said Noel: “We did have these waves of COVID-19. The first wave didn't affect us so much. The current

wave that started in October and is continuing, we thought was the worst.”

One point of their business that was stressed was its centralized services. Serving more than 3,000 families a year, the company had to make an investment during this perilous time in additional capital equipment. “Our centralized preparation and removal areas were the most affected due to the huge number of deaths,” shared Noel.

Explaining the issues that had to be managed, he said, “In the first wave, we were experiencing all that we didn’t know and how to train the staff. In the current wave, we are near full capacity in our three refrigeration units, and we just bought two more refrigeration units. Our entire staff has been overwhelmed, both the removal staff and the funeral arrangers.” Investing money during a pandemic takes guts, but added refrigeration space solved many problems for the business.

Noel also shared how they were affected financially: “In the first quarter of 2020, revenue was far un-

der budget. In the second quarter, we were able to rebound and get back on budget.”

He and Kandaras were nervous as new owners. “So much was unknown in the beginning,” shared Noel. “We didn’t want to disrupt the way we served families. We didn’t want to panic our staff and community. There was also a lot of prayer.” Together, they continue to lead their business with an eye to the future.

Charles Darwin said that all living things “are compelled every day to make one of three choices: migrate, mutate or die off.” While funeral service is not a living thing, it nevertheless has had to answer this question – and without much time to consider the options because of the abruptness of the pandemic. In the past 12 months, this profession has had to serve more than an additional 400,000 deaths, taxing its resources without offering a moment to plan. Fortunately, people like Hernandez, Noel and Kandaras are willing to share the ways in which they and their businesses have adapted.

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