

By Daniel M. Isard

You Have No Business Not Having a Business Plan

This month, I'm going to rely on a basic statistic: 99% of all privately owned funeral home businesses do not have a business plan.* I know this because I've worked with more than a thousand funeral home owners over the past 35-plus years, and every time I ask for a copy of their business plan, I'm met with a crinkled-up forehead and an oral lesson starting with the words, "Dan, you don't understand..."

So, here is what I do understand:

1. A business plan is a written document listing goals for the year and instructions on how to get to those goals.
2. A business plan should be reviewed at least quarterly to see how the business is performing relative to the stated objectives.
3. A business plan for a funeral home should cover the next year, the intermediate period and the long term. It will also focus on many items, including:
 - a. Case count and case mix (at-need and preneed)
 - b. Revenue
 - c. Merchandising
 - d. Staffing
 - e. Other operational expenses
 - f. Marketing
 - g. Competitive analysis
 - h. Balance sheet objectives
 - i. Care and maintenance of the property, equipment and livery
 - j. Other goals and objectives.

When I ask people for their business plans, many start to ramble and tell me their stated goals and objectives, but because they are not in writing, they are not goals. Rather, they are dreams and fantasies. Only by putting them in writing can the business contrast its accomplishment or failure and then correct the latter each quarter.

Moreover, business plans should not be written and then placed on a mantel or in a safe. The business owner/manager is the captain of the ship, but he or she is not the only one working to meet the goals. The objectives should be shared and discussed with those working in the business. And if you think they don't have an interest in your success, then you are hiring the wrong people.

To help facilitate owners/managers in getting this critical is-

* "89.7% of all quoted statistics are usually made up on the spot by the presenter!"

sue taken care of, I'm going to focus on business plan issues for the next few issues. This month covers the three key points a business plan should contain.

Next month, I'll interview people who have extensive backgrounds in creating business plans, including Steve Shaffer of Homesteaders Life and Chris Cruger from The Foresight Companies. Shaffer will share insights based on his years of experience as an accountant, funeral home owner and operator, and from his current lofty seat as head of one of the largest preneed life insurers. Cruger, my successor as managing partner, will provide a look at the future based on the second of his consumer surveys.

BUSINESS PLAN MUSTS

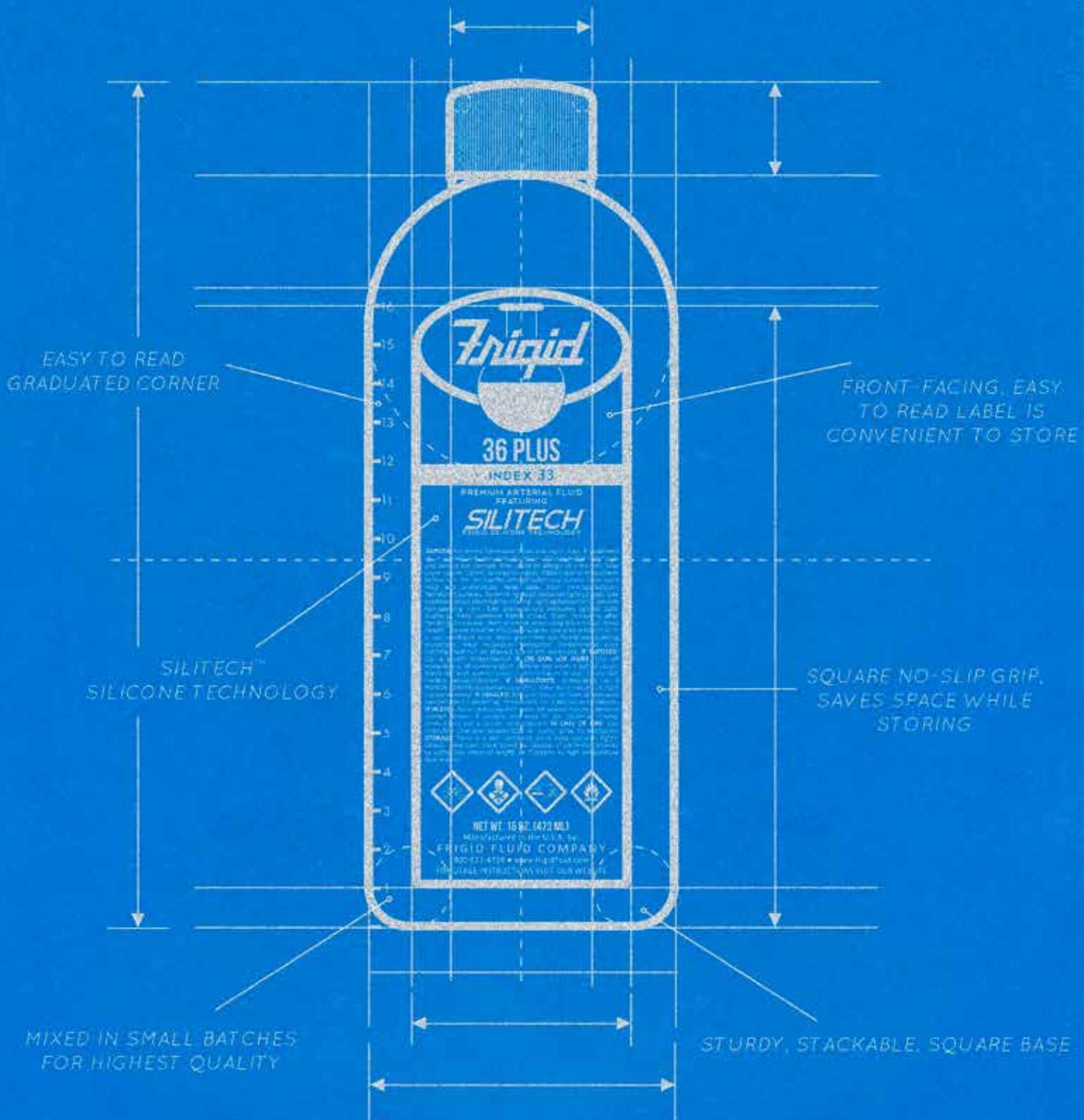
When you start to write a business plan for the first time, you need to do three things. First, take stock of your numbers. If you don't know what those numbers are, then analyze the report your management software can generate. Look at your accounting or financial software to see what information you can glean from that.

If you don't have management and financial software, buy it now. That must be your first commitment to your initial business plan. If you have software but don't know how to extract data from it, pay for lessons from the software provider or a third party. If you don't want to gather the historical data, then change your job description to funeral director and hire someone to manage the business for you. A business owner is a data manager. You can't fake numbers!

Second, gather data from qualified third parties. NFDA publishes two or three surveys a year, or semi-annually, that you can read to see how your business compares. There are also other companies and organizations, state and national, that release quality, independent surveys of consumer attitudes. Reach out for them.

After reading these surveys, you might draw one of two conclusions: "Gee, that explains a lot" or "Our families are not that way." If you conclude the former, congratulations! You have woken up and can now participate in your management. If you think the latter, now is your chance to see the future and lead rather than react. Think about cremation trends 25 years ago, for example. Some thought the dramatic increase in people choosing cremation was a fad, while others thought that if they embraced cremation, they would encourage it. Well, how did ignoring the issue work for you?

Third, silence the voice in your head that says, "Dad didn't do it this way, so we don't have to." Your dad ran the business during a simpler time. Anyone could be profitable when fami-



IT'S STILL HIP TO BE SQUARE

lies purchased a casket, vault and marker 95% of the time, and 90% used your facilities for services and visitation. This is no longer your father's business, however, regardless of the name on the sign and the picture on the staircase.

What follows is a demonstration of three business plan points. First, state your business plan for the dynamic you are projecting for this year, an intermediate year and a future year. For this example, I'll look at revenue, merchandising and staffing plans.

REVENUE PLAN

We plan on generating \$X of revenue this year. We will be at \$Y in 2025 and \$Z in 2030.

First, state how you're going to get there: *Our service fees are now 60% of total revenue. Our goal is to progress to 65% in 2025 and 70% in 2030.*

Second, state why you're doing this: *Our noncasketed rate is now at 50%, and I expect it to rise to 60% by 2025 and 70% by 2030. Therefore, I have to move*

our revenue to generate more service fees and depend less on merchandise sales. I am going to make noncasketed cases on par with the pricing for casketed cases. I am going to raise my basic nondeclinable service fee more than any other service fees.

Now, because this is a *written* plan, you can look at it each quarter and into the future. The plan can be reviewed with staff, and they can be prepared for how to handle objections from consumers about revenue points.

MERCHANDISING PLAN

I am going to lessen my dependence on merchandise revenue. Merchandise revenue from caskets, vaults and markers accounts for 30% of my revenue this year. I am going to assume that will decline at a rate of about 10% per year over the next 10 years.

What will you do to make up for this lost revenue? *Because I am going to sell fewer caskets, vaults and markers each year, I am going to work to increase new merchandise and ancillary services to offer to consumers to make up for this lost revenue.*

Which ancillary services can you bring into the business? *I'm going to introduce a direct-referral business with a florist. This should increase my revenue by about 20% of the floral billing per year. I expect to sell flowers in the first year to 25% of families, 50% of families by the fifth year and 70% of families in 10 years.*

Here, your task is

to write up a request for proposal (RFP) and deliver it to your local florists. If none wants to give you a referral percentage, then go to the national providers. They'll do everything, and your delivery will be via the same locals that might not want to engage with you.

STAFFING PLAN

I am going to work to make my staff, at all levels, more informed and give them authority and responsibility, freeing me up to work on marketing.

Staffing is the most important dynamic concerning the future of the profession. Funeral service is currently experiencing negative employment, meaning that more people are leaving the profession due to retirement and attrition than are coming in. The long-term picture is out of your control, however, and it will require the national organizations to take it upon themselves to change licensure, education and state laws. That said, you need to have the best-quality staff you can right now.

What will you do? *I am going to conduct a performance-based review assessment of all employees, at all levels, full time and part time.* The goal is to free yourself up. You can't perform removals and embalm at night and then meet with families to plan when the light of day comes. You need quality staff to do some or all of this work.

I am going to amend compensation to people based on a fair wage but also include bonuses based on exceptional service and results.

Remember, if you think smart staff is expensive, you ought to see how much stupid staff costs you!

What you've read here is just a small part of an overall business plan. It is complex, so if you can't find the time or don't have the inclination to do it yourself, hire someone. You cannot afford to do without.

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