

## *My Knowledge Transfer Plan*

### Chapter 1: The future is cremation.

**T**wo issues ago, I turned 68 years old. I mention this because I feel I bear a responsibility to this profession, one that has allowed me to build a company and serve more than 3,000 of its members during my career. While I have written more than 500 articles and four books covering many topics, I now want to systematically share all I have learned for the benefit of the next generation of business owners.

I call this my Knowledge Transfer Plan (KTP). We human beings know we are not immortal, and I do not want to take any more knowledge with me to the grave than reasonable. (Yes, I will be buried.)

With that said, please note that this column is now called “Finance 301.” This is the graduate-level course! Bundle these articles for easy access, even if that means just tearing them out of the magazine and placing them in a binder.

#### THE GREATEST CHALLENGE

To succeed in any business, one needs to look back objectively and forward responsibly. In other words, review the trends along the road you recently traveled so you can make good estimates about what lies ahead.

With that in mind, the first issue I want to address in my Knowledge Transfer Plan involves the single greatest challenge plaguing this profession: how providers deal with consumers who choose cremation. Funeral service *must* address the unintended consequences presented by a rising cremation rate.

This will involve various core competencies (explained below) – from licensure and education to investments and marketing. For instance, most cremated bodies are not embalmed, but you must be a licensed embalmer to make funeral arrangements in almost half of U.S. states.

In addition, many providers operate in buildings of 10,000 square feet or more to provide a location for funerals to take place, yet most deaths now do not involve gatherings in funeral homes. Instead,

families hold gatherings graveside, at a church, at a hotel, or they opt for no gathering at all. It’s one thing not to receive revenue from a casket and vault sale, but it’s another to run your business depending on revenue from direct cremation alone.

Cremation has increased in popularity to a level few could have predicted in the 1980s. When I entered the profession, the nationwide cremation rate was roughly 5%. “Cremation” was even the punchline to many jokes. During the past two generations, however, it has grown and is now selected by most U.S. families. This trend will not reverse itself.

For some owners, cremation is limited to a business decision regarding buying a retort or not, but it goes much deeper than that. For more than 20 years, I have heard, “If you build a crematory in your funeral home, you are going to encourage people to choose cremation.” I think people began choosing cremation for many reasons, but the least of them is whether a funeral home owns a retort or uses a trade crematory.

Review the trends along the road you recently traveled so you can make good estimates about what lies ahead.

The decision to buy a retort for your funeral home involves simple math. If it costs \$100,000 for a full retort and you already own the location in which you’ll place it, how many cremations a year will it take to pay for itself? Well, assuming 10-year financing, you would need to cover about \$13,000 in financing costs.

Next, let’s assume that it takes approximately \$50 in fuel and \$50 in labor for each cremation. If you are charging \$300 (or are being charged by a third-party crematory), this would provide you a gross profit of about \$200 to cover the financing costs (the \$300 cost less the \$100 variable costs).

Thus, if you perform about 65 cremations annually, you will break even.

### REBUILDING CORE COMPETENCIES

The reason I think cremation is the most dramatic issue for which the next generation needs to be prepared is because it requires rebuilding every foundational point on which the business has been based. To my thinking, this affects the five core competencies of the profession.

**1. LICENSURE** Licensing regulations vary by state, but almost half require someone to be a licensed embalmer to make funeral arrangements. This very notion sets up a potential conflict and in some states presents a significant limitation. In some states, you cannot be hired as a preneed salesperson without being a licensed funeral director, which, in some states, means you must also be a licensed embalmer.

Now, I respect the work embalmers do, and I have seen families receive a last chance at seeing a loved one only made possible due to the embalmer's arts. The number of bodies embalmed every year is declining, however, so rather than create roadblocks to enter this profession, let us bifurcate the back of the house from the front of the house. We need to focus

on the ability to make good arrangements, which takes empathy, listening and communicating effectively with the family.

**2. EDUCATION** Logic dictates that if you are going to change licensure, then you will also need to amend education. There is no education requirement for crematory operators, for example, even though more bodies are cremated than embalmed these days. Why not raise the standing of the person running the retort? After all, no funeral home has ever burned down due to an embalming, but many have gone up in flames because of improper cremation operations.

**3. INVESTMENT** I once had a client who wanted to add a new building just as big as his existing building, even though only 15% of families held a funeral ceremony in his current facility. I thought this was folly. Investment in the funeral business of the future must change – the building must be functional, or it will likewise prove a financial folly.

With fewer events bringing people together, the funeral building of the future must change in terms of size and functionality. Today, more people want options to attend remotely, so the tools within the funeral home must be more of a virtual production studio than the layout of a facility currently allows.



The advertisement features several overlapping covers of the Memorial Business Journal. The covers include headlines such as "What Are Your Responsibility Requirements Concerning Vaccinations?", "2021 Consumer Awareness & Preferences Survey, Part 1", and "Inside the 2021 Consumer Awareness and Preferences Survey, Part 2". The NFDA logo is visible on the covers.

**NFDA** NATIONAL FUNERAL DIRECTORS ASSOCIATION

## Memorial Business Journal

Your Weekly Source for Funeral Service News

Members consistently rate this online weekly as one of NFDA's most valuable benefits. **Your subscription is FREE** as part of your membership (nonmembers: \$199 for 52 issues).

Every Thursday, a new issue is packed with relevant news, analysis and business guidance. Written and produced by the most experienced team in funeral service, the articles are always thought-provoking and topical.

Are you getting the *MBJ* delivered to your inbox? **Don't let this valuable NFDA resource go unutilized for your business!**

Stop by the NFDA Publications booth to visit with our award-winning editorial team and discuss what you'd like to read about in *The Director*.

Since the advent of COVID-19, the desire to attend a funeral is higher than ever, and the fear of gathering can be mitigated with a solid video production that broadcasts the funeral event.

**4. PRICING** Cremation is not about price, it's about *value*. Value is defined many ways, but in this context, it means "relative worth." For example, if I offered to sell you a typewriter for only 10% of its retail price, but you had no desire to buy a typewriter, then it doesn't matter that its monetary worth is far greater than its selling price. Value is about someone perceiving that the price they pay will be equal to the benefit they receive.

So, using the earlier investment example again, imagine that 15% of the families you serve use your building. Will dropping the cost to use your building and staff by half spur families to use your building more often?

You need to understand your overhead to set your pricing for the future. The number of funeral home locations has dropped by almost 15% since 1990. Until funeral providers have the confidence to price their cremation services properly, business owners will increasingly realize that they cannot be profitable.

**5. MARKETING** Marketing methods of the past don't

work anymore. In the 1980s, the most common method of marketing involved alignment with a particular church or religion. Over the past two generations, however, we have seen less reliance on religion. If, as the derivation of your name implies, you are the "undertaker," but people don't think they

need to be brought to the land of Osiris any longer, then the purpose of burial is diminished. And if there is a lack of burial, then there is less need for burial merchandise. Thus, we must repackage the profession based on your expertise, not on the lowest level of service – unless you wish to change your business model to that of a direct disposer.

Prior to 1985, funeral homes priced goods and services sold to consumers using a "merchandise pricing model." This meant that a consumer bought the casket and got all the other services thrown in as part of the merchandise selection.

With the advent of the Federal Trade Commission's Funeral Rule, however, providers shifted to a "service and merchandise pricing model." With this method, a family must select the services (excluding the basic non-declinable fee included in all cases) and merchandise. They'll have to choose from some 16 different services, depending on their choice of funeral, plus make several merchandise decisions. Yet since most funeral home owners will not choose cremation for themselves, they don't put any emphasis on the value of a well-produced cremation service.

Several years ago, I was a co-presenter for a seminar in Florida. In one room sat about 60 funeral home owners, while an adjoining room contained an audience of roughly 30 funeral service students and recent grads. The other speaker and I went from one room to the other, asking questions from the audiences, and then brought the two rooms together.

One glaring difference in the audiences involved their thoughts on cremation. Of the 60 owners, fewer than 10 would consider selecting cremation for themselves or a loved one. But, of the 30 students and graduates, almost 25 said they would choose cremation. This was just one of the many impasses we encountered between the employers and the future employees.

If cremation is not your comfort area, then let someone else sell cremation to the families you serve. How can you effectively sell something if you don't have empathy for it? The profession must embrace a new paradigm for cremation!

**Your Real Source. Anywhere. Anytime.**

FUNERAL HOMES • TRADE SERVICES • SUPPLIERS  
TRADE NEWS • EVENTS • CLASSIFIEDS

Find exactly what you're looking for!

**NOMIS**  
PUBLICATIONS, INC.

[www.nomispublishings.com](http://www.nomispublishings.com)

*Dan Isard is founder of The Foresight Companies, which has served thousands of funeral homes nationwide for the past four decades. Articles in this series can be found under the Insights header at [theforesightcompanies.com](http://theforesightcompanies.com). Contact Isard at 602-274-6464 or [danisard@theforesightcompanies.com](mailto:danisard@theforesightcompanies.com).*

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