



Are There Any Similarities Between the Auto Industry and the Funeral Profession?

On the morning of June 1, 2009, General Motors filed for chapter 11 bankruptcy. General Motors, founded in 1908 by William C. Durant, boasted in 1954 an all-time high market share of 54 percent, manufactured its 50 millionth vehicle, now seeks protection from its creditors under chapter 11 bankruptcy laws. General Motors now claims that it has \$172.8 billion in debt and has reported close to \$88 billion in losses since 2004. This bankruptcy becomes the third largest in U.S. history. What an interesting turn of events. Who would have predicted that Toyota, a Japanese automaker, would become the world's largest provider of vehicles? The big question is what went wrong? If you listen to what the financial and political pundits are saying, there is plenty of blame for the automaker's failures and there is endless finger pointing to who caused the company to end up in a very precarious financial condition.

Irrespective of who or what caused the huge auto giant to seek protection under our bankruptcy laws, it is incumbent upon all business owners, including funeral home owners and managers, to understand that "The Times They are a Changing", as best written and sung by Bob Dylan. These changing times now provide measurable evidence that today's consumers are very different from past consumers when it comes to deciding what type of vehicles to purchase. At the cost of oversimplifying a very complex issue, an integral question to ask ourselves is, "Is the real reason that General Motors failed to make a profit because consumers did not perceive value in the merchandise and services being offered?" At the very essence and heart of capitalism is the ability for sellers (supply side) to offer merchandise and/or services to purchasers (demand side) that consumers are willing to purchase at a specific time and amount. Should the executives at General Motors be accused of displaying arrogance by manufacturing vehicles that executives thought the public should be purchasing? Are the Union Auto Workers responsible for the escalating costs that drove the price of the vehicles above their competitors? No doubt that at some future date, students working on their M.B.A.s at Harvard University will analyze the history of General Motors and propose reasons for its successes and failures.

There are very important lessons for funeral home owners to learn from the mistakes of the automakers. First and foremost, funeral directors need to understand the needs and wants of the families they serve. For example, if your funeral home is located in a community that is experiencing a substantial increase in the number of families selecting cremation, your preparedness

to offer cremation services is critical to meeting the needs of the families you serve. Along with this is the importance of your attitude towards families that select cremation services. Remember, the customer is always right. There is no doubt or question that for far too many funeral home owners, particularly for those who have been in the profession for ten years or more, the increase in the cremation rate means only a decrease in revenues, cash flow and profits and causes them angst and sleepless nights. Unfortunately, for those funeral homes focusing their services, marketing and facilities to meet the needs of only the traditional families, are neglecting the needs and wishes of families wishing to use cremation.

Let us use look at a simple test to determine where your marketing efforts are being directed. Over the past three years, calculate the percentage of the families that you served that elected to use cremation as opposed to burial. When determining your cremation rate do not include infants, ship-ins, ship-outs or trade calls. Use that cremation rate for analytical purposes. For example, if your average cremation rate is 40 percent, that means that for every 100 families served, not including infants, ship-ins, ship-outs and trade calls, 40 families opted for cremations. Now take a look at your showroom and advertising expenses. Is 40 percent of your showroom designed to meet the needs of the 40 percent of the families you serve? Do your advertising efforts focus on attracting the families that select cremation? Take a quick look back to the U.S. automakers. From a marketing perspective, are you a funeral home that is telling the consumer that they should be purchasing SUVs and muscle cars, while Toyota is becoming the leading automaker by manufacturing, marketing and selling fuel efficient vehicles? General Motors, Ford and Chrysler continued to manufacture and attempted to sell their SUVs and muscle cars for one big reason; the profits on these automobiles are higher than on the smaller, more efficient vehicles.

How many times have you heard a fellow funeral director say, "It's just a cremation?" The chances are that you probably hear it on a regular basis and far too many times. From a financial perspective, every funeral home owner in this country would like to provide to families the services and merchandise that generates the highest profits, which for most funeral directors means providing a casket, a vault, traditional services and burial. Let us jump back and discuss your showroom, or as many refer to it, your casket selection room. From a marketing and financial viewpoint, it is incumbent upon you to take the

time to determine if you are making available, or displaying, the goods that people are interested in purchasing. While reviewing your showroom, please understand that cremation is just another form of disposition and it does not always mean direct cremation. If, as in this example, a funeral home is experiencing a 40 percent cremation rate, does it make sense to dedicate at least that percentage of your showroom to families that are selecting cremation as their final form of disposition? The same holds true for the amount you spend on advertising.

There is no disputing that the profit on an average traditional service is larger than the profit on an average cremation service, particularly when you include direct cremations in the calculation. But coming to terms with the reality that more and more families are selecting cremation services is the critical turning point. Funeral home owners who choose to ignore this truism will find themselves behind the financial eight ball. What were the executives of the big three automakers thinking when Toyota and Honda started selling smaller, fuel efficient vehicles? Where were General Motors, Ford and Chrysler's hybrid automobiles when Toyota could not manufacture their Prius and Honda their Civic fast enough to keep them on the showroom floor? Within a week of General Motors filing for bankruptcy, television commercials from them were advertising that a new approach and changes are in the works to produce more efficient automobiles.

As a funeral home owner desirous of remaining competitive, you need to focus your marketing efforts in a way that enables prospective families to understand that your funeral home is available to meet all of their needs. That may sound like a relatively simple concept, and if you were asked about your marketing efforts, you would probably say that is just what you are doing. But are you really sending out a clear and precise message that is easy to understand, and is it aimed at the needs of the families? If any of your marketing dollars are spent on any forms of advertising that is designed to change the minds of the families, the chances are your advertising dollars are not being spent wisely. Remember, if 40 percent of the families in your specific geographic market are going to select cremation, your advertising must focus on attracting those families. A misnomer is that your advertising is going to change people's minds as to what form of disposition they will eventually select. During the summer of 2008 when gasoline was reaching \$4.00 per gallon, the big three automakers were still advertising SUVs and fuel inefficient pick-up trucks. What were the advertising executives thinking? Perhaps, they thought they could entice the consumer into buying a vehicle that yielded them the highest profit, but it did not work. The same idea regarding consumers' wishes holds true for the funeral industry.

It is critical for the success of all businesses that the owners

and managers understand the old cliché, that the customer is always right. With the U.S. and global economy in a current recession and national unemployment reported in June 2009 at over 9 percent, and expected to increase before it gets better, it is essential to evaluate your operations and policies to ascertain whether or not they are directly providing merchandise and services in such a way that families perceive value. The emphasis must be on value. This idea of value is altogether different and not related to the level of expense. The notion that cremation and cremation services should be inexpensive is a by-product of the funeral director's approach to dealing with families that select cremation. It is true that on average the family that selects a more traditional service and uses burial as the method of disposition, will pay more than a family that selects cremation as the final method of disposition. If a funeral home provides cremation services at a price level that does not cover overhead costs and does not create profit, the funeral home will eventually suffer from decreased cash flow and lower profits. From a financial perspective, it is necessary for funeral directors to understand that doing the same old thing in terms of marketing and pricing their merchandise and services, will lead to financial ruin. You can not continue to raise the prices on traditional families to a level that will offset the losses caused by families selecting and paying less for cremation services. The big three automakers continued raising the prices of their vehicles, particularly their SUVs, but ignored a large segment of the buying population by not making available less expensive, smaller, fuel efficient automobiles.

The real purpose of this article is to get you thinking about a very fundamental question regarding the families you serve and the families you wish to serve. Do you or can you meet their needs? For the families you serve, do you believe that they perceive value in your merchandise and services? If you provide packages on your general price list, is there a large dollar difference between traditional and cremation packages?

There is no question that like all business in the U.S., the funeral profession will continue to be confronted with changes that will challenge traditional methods of operation, but forward thinking funeral directors will be able to meet those demands and continue to be financially successful. If you are unable to meet the needs of your families by providing meaningful services and the families do not perceive value in what you offer, do you think there will be any bailout money to assist you through difficult economical times? **FBA**

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