

# Roundtable

By Patti Martin Bartsche

# Preneed Roundtable



Todd Carlson



W.H. (Bill) Williams

**Preneed has been a hot topic in 2013, defined in turn as the good, the bad and the ugly. We talked to Todd Carlson, vice president of sales, Funeral Directors Life Insurance Co., and W. H. (Bill) Williams Jr., president and CEO, Funeral Services, Inc., about the top preneed stories of 2013, and what funeral professionals need to understand about preneed programs.**

**With the year coming to a close, what are your thoughts about the state of preneed?**

**Williams:** In 2014 and moving forward, more aggressive marketing by death-care professionals will play a critical role in the preneed business.

For several years, the industry has seen an increase in direct cremation without merchandise or services. This has led to a continual drop in funeral homes' sales averages. It is difficult to overcome this trend by generating leads using traditional marketing tactics, particularly as the "Do Not Call" list continues to grow and direct mail response rates continue to decline.

On a positive note, the target age group population for preneed sales is growing due to the aging baby boomer population. To capture these audiences, funeral directors should consider implementing innovative strategies such as social media tools and marketing materials that effectively reach and educate these audiences about the value of preneed programs.

Additionally, they will have to ensure their program is positioned for long-term success – a historically positive rate of return that can overcome funeral inflation. It has never been more apparent that this success hinges on a model that provides transparency, a sound

investment policy, a system of checks and balances, and steady growth.

**Carlson:** The past four years have been very challenging for a few reasons. First, the prolonged low interest rate environment continues to put downward pressure on growth rates and insurance company earnings. With no signs that the Fed will change its monetary policy in the near term, funeral directors need to monitor the financial health of their preneed provider very carefully.

Second, growth rate challenges have caused many funeral directors to revisit their preneed strategies. Funeral directors, in essence, were forced to answer a very basic, yet important question, "What is the purpose of my preneed program?" After carefully considering this question, many funeral directors took the opportunity to make appropriate adjustments to their programs. There are those who view preneed as an important part of their customer acquisition strategy and there are those who approach preneed with a more passive attitude. The growth rate challenges of recent years magnified the fact that one's viewpoint greatly affects one's preneed strategy.

Third, changing consumer attitudes with respect to their funeral preferences continue to challenge many funeral directors. Our field

sales management team is in constant dialogue with our customers trying to figure out how to most effectively respond. It seems funeral directors are beginning to grasp the issues and are taking steps to adjust their product and service offerings in ways that are allowing them to stay relevant with today's funeral consumer.

### **What were the biggest preneed stories coming out of 2013?**

**Carlson:** I think the sale of Forethought to Global Atlantic Financial Group should be near the top of the list. A change of ownership of any business could portend changes in strategy and operations.

Another significant event is Graham Cook of Homesteaders announcing his retirement. Mr. Cook has been a fixture in the preneed world for a very long time. Many of us have never known this business without Mr. Cook.

Then we have the Wisconsin Funeral Directors Association Master Trust story and the related dissolution of Requia Life Insurance Co. It will be interesting to see how those responsible for the investment decisions of the trust are held accountable.

Last on my list is the sentencing of those involved in the NPS (National Prearranged Services, Inc.) debacle. The effects of the collapse of NPS still reverberate throughout the funeral profession. I hope tragedy like this is never repeated and that the lessons learned are never forgotten.

**Williams:** Two of the biggest stories this year were ownership changes of several preneed businesses and the continued focus on regulatory investigations of preneed programs.

Ownership changes, on both the

vendor and funeral provider side, made headlines in the latter part of 2013. These shifts included longtime industry players familiar to funeral professionals and consumers alike. National attention may continue to grow due to these companies' size, their level of brand awareness and a seemingly recent escalation of agreements among preneed businesses.

Throughout the year, federal and state investigations into preneed management practices continued to make headlines. A couple of years ago, media attention turned to stories of improper management. More recently, coverage has turned to the regulatory investigations spurred by these incidents. These events may have led to a renewed media interest in the death-care industry.

### **Do you believe there will be significant changes in the preneed marketplace in 2014?**

**Williams:** In 2014, the preneed marketplace may begin to feel the effects of ownership changes of preneed business. A clearer picture of what this means for the industry, funeral homes and consumers will begin to take shape as these agreements are finalized throughout the coming year.

Aside from ownership changes, the marketing of preneed programs and services is expected to play a bigger role in the marketplace. It is evident preneed contract sales are essential to raising sales averages. New marketing strategies will begin to overshadow traditional tactics and technology will play a key role in identifying, targeting and acquiring preneed program clients. As the industry continues to refine its approach, new tools to enhance the mobility and efficiency of preneed sales will continue to emerge, helping funeral directors build a more robust

preneed program.

**Carlson:** Changes – yes. Significant changes – it's hard to say. During my 20 years in preneed, I don't think any one year had changes that should have been labeled "significant." Change is inevitable; yet it is mostly incremental. I'm sure 2014 will be no exception.

One trend to keep a watchful eye on is how leading-edge baby boomers begin to impact the market. I see two areas of potential change although I'm just not sure if 2014 will be the year of "significant change." First, the Internet is certain to impact preneed and funeral consumer buying behaviors. As more baby boomers and Gen-Xers move into life stages that intersect with preneed and funeral consumerism, they are likely to continue their online research and purchasing behaviors. The funeral profession will have to reposition itself and adjust relatively quickly – probably over the next handful of years – to stay relevant. Second, with the number of people in the preneed purchasing demographic increasing by 58 percent and the number of deaths projected to grow by 34 percent over the next generation, those outside of the profession may take notice and want "in." Oftentimes, revolutionary change with real disintermediating potential comes from outside of a profession or industry. Time will tell if 2014 is the year for such change.

Having said all this about change, if current economic conditions and government policy persist, I think many preneed companies will have to take a hard look at their products to see if any growth rate or commission changes are necessary.

### **Do funeral directors, in general, give enough attention to their preneed programs?**

**Carlson:** As a rule, I don't think

funeral directors give enough attention to their preneed programs. Funeral directors need to ensure their preneed program strategy is in alignment with their overall business strategy. Too often, I see funeral directors who have a disconnect between their business strategy and their preneed strategy. The health of their at-need business, to a great extent, can be influenced positively or negatively by their preneed program. Having the correct strategy in place should be of paramount concern.

**Williams:** Historically, funeral directors operated preneed programs as a walk-in or call-in service. These preneed programs often served individuals who decided to pursue preneed arrangements because of health issues, pending admission to an assisted living facility or Medicaid assistance qualification. By today's standards, this is a passive approach to a preneed program generally operated on autopilot.

Funeral directors operating active preneed programs often pay close attention to sales averages and mix, total sales volume in a given period and many enlist third-party marketers for preneed contract sales.

To garner the trust and business of baby boomers entering the target age group for preneed sales, funeral directors should take a closer look at their firm's preneed program. Funeral directors should consider whether programs meet the needs and desires of their families and if they are able to effectively communicate the value of preneed programs.

### **How can funeral professionals better communicate the value of preneed to families?**

**Carlson:** When meeting with families, funeral directors could communicate the value of preneed by having a clear image in their mind of the families they have served who have benefited from having a well-thought-out funeral plan in place when a death occurred. That's where it starts. Then the funeral director

has to connect with the family that's in their office that day. They need to find out what's important to that family, and they need to understand what motivated that family to come into the funeral home or to respond to the funeral home's lead generation program.

**Williams:** Regular and consistent marketing communications will help funeral professionals educate existing and potential families about the value of preneed programs. Funeral professionals should take an audit of their firm's existing and potential communications channels including websites, social media platforms and collateral materials, as well as earned and paid media.

### **How can a funeral professional properly evaluate a preneed program?**

**Williams:** When evaluating a preneed program, funeral professionals should consider the program's funding mechanism, associated fees and commissions, and the program's investment policy. Funeral professionals, including a firm's funeral director, should ask whether the program's market value rates of return and crediting rate will offset funeral inflation.

Third-party marketers and other funeral professionals working on behalf of a funeral director should take a close look at the program's marketing approach. While not much attention needs to be paid to marketing with a passive approach, funeral professionals evaluating active preneed programs should consider the following: What will be communicated to families and who will lead this conversation? Is the firm's funeral director supportive of an active preneed marketing strategy? If complaints arise from lead generation, how should these be addressed and what is the resolution?

**Carlson:** Too many funeral directors fail to start with the basics: Is the preneed provider truly financially secure? Are they highly rated by independent ratings agencies such

as A.M. Best or Ward's? The preneed provider's number one job is to be a good steward of the preneed dollars entrusted to them. I am surprised at how many funeral directors continue to use unrated or poorly rated insurance companies.

If the company passes the financial security test, then the funeral director needs to interview several preneed providers. A solid approach is to make sure the preneed provider is a fit from a culture perspective; then examine differences in value-added services; and then evaluate the insurance products.

### **What is the best preneed marketing advice you can offer a funeral director?**

**Williams:** When it comes to marketing, it is important to closely monitor program performance – always watch the numbers. To gain a competitive edge, funeral directors should continue to find innovative ways to connect with families and incorporate successful consumer preference and sales trends into marketing strategies.

As target audiences for preneed sales grow, so does consumers' affinity for personalized services and merchandise. For many families, deeply and uniquely personal arrangements are an important part of the healing process. Funeral directors should communicate how these services help a family during their time of need – a compelling story that demonstrates the value of preneed programs.

**Carlson:** First, market early and market often. Unfortunately, a lot of great funeral directors lose families simply because their competitor got to the family first. Second, if you want to take your program to the next level, consider using a dedicated preneed sales professional. There are many potential paths to this approach. I would encourage funeral directors to closely compare the various strategies that preneed providers use when deploying dedicated preneed sales professionals. •