



TRUST SOLUTIONS

Passive, Active or Competitive: Assessing Your Preneed Program

The way you market preneed programs can be vitally important to the future success and long-term viability of your funeral home or cemetery. But exactly what kind of preneed program are you operating? How ambitious are your efforts? And should you make changes?

Those questions are best answered by an honest assessment of your current preneed programs. There are three basic types of programs that vary according to how aggressively you market them:

- Passive
- Active
- Competitive

This white paper will explain how to assess your current program with those three categories in mind. But before delving into that assessment, it's important to dispel a common myth regarding the funding of preneed programs. Many people believe that preneed programs funded through a trust are inherently passive in nature. This is not the case. All three types of programs—passive, active and competitive—can be funded either through insurance or a trust.

It is, however, true that many prefer insurance funding for active preneed programs. This is because of the commissions paid on insurance. These commissions help in paying for marketing and compensation. Another reason is that many insurance carriers offer marketing support to funeral homes. In addition, active programs are likely to generate more sales to younger people, who are better insurance risks and therefore generate higher commissions on the sales. Older, less insurable customers may be better suited to trust funding, but there is no hard-and-fast rule excluding one or the other type of funding.

The Preneed Assessment: Preliminaries

Assessing your preneed program begins with determining how well your current program is performing. Ask yourself whether you have a satisfactory number of active leads. Also, are your sources for leads adequate? How strong is your follow-up? Do you maintain diversified lead channels? How do you reach the market to attain new leads? In addition to addressing these questions, you should measure your preneed activity in comparison to your at-need sales activity. If preneed volume is less than half of at-need volume, it may indicate a need to become more aggressive in your preneed marketing activities.

If you determine that you do need to become more aggressive, there are several steps you can take, each of which requires a strong commitment to success. Your marketing programs will need to become more robust. You may also need to add more part- or full-time preneed counselors to your staff. In short, you will not be likely to see an increase in your preneed business without committing yourself to the investment needed to make it happen.

Three Scenarios

For purposes of illustration, let's take a look at three different scenarios reflecting the three basic types of preneed program.

The passive program: The typical passive funeral home or cemetery will have no preneed counselors on staff and will depend completely on “walk-in” or “call-in” sales, usually requested by the customer. The average age of customers will likely be from the upper seventies to upper eighties, and preneed volume will constitute about 20 to 25 percent of at-need volume.

The active program: Unlike those with a passive program, the active cemetery or funeral home will be committed to expanding preneed sales activity. It will have preneed counselors on staff, perhaps both part-time and full-time. Marketing activities, though modest, will still be pursued, typically through direct mail. The typical customer will be in her or his mid-seventies, and preneed volume will be roughly 40 to 45 percent of at-need volume.

The competitive program: The most aggressive type of program will have full-time preneed counselors on staff, perhaps consisting of management and support personnel. Marketing will take a high priority among total business activities and utilize direct mail, newspaper inserts, group presentations and seminars, community outreach, social media and much more. Customers will tend to be younger, from the mid-sixties, but the program will also generate sales with people into their upper eighties. Sales volume will range from 80 to 120 percent of at-need volume. The organization with a competitive preneed program will be actively making an effort to distinguish itself from its competitors.

The Preneed Assessment Guide

To make it easier to assess your own program—and to see how to advance to a more aggressive position—we have created the accompanying preneed assessment guide, in table form. It provides a concise description of each type of preneed program. Adopting a more ambitious, aggressive stance toward preneed sales will require the commitment of time, money and staff shown in the table. But for many, that added investment will pay very attractive returns. It is almost certain to position your organization for enhanced success in the future.

	Passive	Active	Competitive
Average customer age	Upper-70s to upper 80s	Mid-70s	Mid-60s to Upper 80's
Trust/Insurance	Trust is ideal for a passive program since there is no expense.	Trust typically offers higher returns than insurance. Insurance pays commissions.	Trust typically offers higher returns than insurance. Insurance pays commissions.
Taxed/Taxed Free Trust	Tax free: In a low- interest environment, trust expenses will likely be more than earnings from tax-free investments.	Taxed: Earnings from a well-managed master trust will be much higher than taxes, which are shared by all trust participants.	Taxed: Earnings from a well-managed master trust will be much higher than taxes, which are shared by all trust participants.
Payments	High single-pay trust or insurance upwards of (100%)	Mostly single-pay trust or insurance (70%+)	Funded with multiple payments (50%+)
Staffing	No preneed counselors on staff	Part- or full-time preneed counselor. Minimal opportunity for in-staff training.	Full-time preneed counselor, manager or clerical support. Opportunities for professional development and training.
Marketing	Little or no marketing activity	Some marketing activity (usually direct mail)	Active marketing program utilizing many methods.
Volume	100% walk-in or call-in preneed sales. Preneed volume = 20 to 25% of at-need volume.	60-65% walk-in or call-in preneed sales. Preneed contracts in funeral homes of 300+ calls = 40- 45% of at-need volume.	40% walk-in or call-in preneed sales. 15% of sales are new business to funeral home. Preneed volume = 80-120% of at-need volume.

About FSI

Funeral Services, Inc. (FSI) is a preneed administration and contract record-keeping company that provides trust solutions to funeral homes, cemeteries, industry associations and financial institutions. FSI offers web-based technology designed for preneed and perpetual care programs and expert knowledge of the death care profession. FSI, a company created by death care professionals for death care professionals, has more than 35 years of industry experience and actively serves more than 500 clients in 19 states.

For more information about FSI and its services, contact info@fsitrust.com.

