

[IN THE KNOW]

In this monthly column, we're focusing on the topics that have the biggest impact on your business. This month, the focus is finance.

Financial Planning Tips to Position Your Funeral Home for Success in the New Year

By Bill Williams, president and CEO of Funeral Services Inc., a subsidiary of Argent Financial Group, and Steve Jackson, senior vice president and group manager, Argent Financial Group

Rapidly changing consumer behavior is transforming the economics of the death-care industry. Funeral directors and cemeterians will need to accelerate adjustments to how they are managing their companies to improve their competitive position and safeguard hard-earned profits.

To be clear, a growing number of death-care professionals have tweaked their business models over the years. They correctly realized the old ways of doing business – legacy technology to manage recordkeeping and administration technology, and postcards to market the business, to name a few – are no longer effective in meeting the needs of families.

Today's business climate, where the purchasing power of families is eroding, and operating costs are surging, is putting pressure on death-care professionals to do more with less. But, where there are competitive threats, there are also opportunities.

Funeral directors and cemeterians who invest in their companies during tough economic times – instead of slashing costs and payrolls – are more likely to emerge as

winners in the long run, and there is solid evidence to back that up. Researchers at Harvard and McKinsey, for example, found that companies that made disciplined investments in their businesses improved the likelihood of strengthening their competitive position and enhancing financial returns.

The urgency to adapt to the new realities of the marketplace is a direct result of several key issues converging in our industry. Here are a few of the biggest challenges:

- **Inflation:** While steadily drifting lower from the 40-year high of 9% set in June 2021, inflation is still hovering around 4%. For many operators, inflationary cost increases are outpacing sales, putting downward pressure on profits that can be reinvested in the business.

- **Consumer spending:** Inflation is hitting consumers hard. A recent Harris Poll found that nearly two-thirds (65%) of working Americans said they are frequently living paycheck-to-paycheck. Higher-earning consumers are also feeling the pain, with 51% of respondents making at least \$100,000 annually, saying they are running out of money each month.

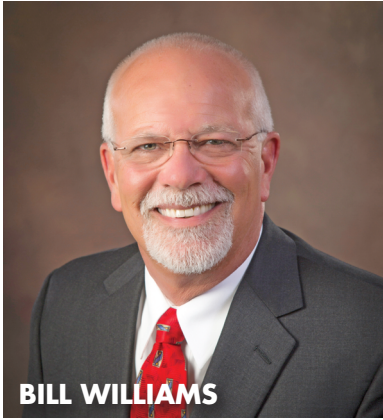
- **Traditional funeral services:** The number of lower-cost cremations and non-funeral home-related end-of-life celebrations continues to increase. That is resulting in the number of core, traditional services declining for many funeral homes and low single-digit increases (at best) in the average revenue per contract.

Navigating today's complex business climate is not going to be easy. But there are several practical, actionable steps you can take to help boost sales and better manage expenses without impacting the quality of services you provide families.

GET PROACTIVE WITH SELLING PRENEED

A thriving funeral home generally earns at least 50% of its revenue from preneed trust contracts. If your funeral home is below that marker, aim to increase it through proactive selling. Focus more attention and resources on these areas:

- **Enhance your funeral home's website:** You are missing out on sales if your website does not make it easy for families to review services and pricing – and pay



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for those services online. Remember, the same person who spends hours planning a vacation or family gathering is likely the same one who will be looking for funeral services, and future customers – Millennials and Gen Z – will demand conducting business online. Here are a few things you can update to help spur new sales:

- o Maintain a contemporary-looking website, update it frequently and make sure to include educational content (how-to articles or advice on end-of-life planning). One of your business's main marketing goals should be to leverage the power of a modern website to help families make informed decisions.

- o Your website should easily guide families to preneed services and allow them to purchase those services online. There are several platforms available, including ours, that make this process easy. Convenience – allowing families to create customized services and pay for them from the comforts of their homes – is paramount.

- Become more active on social media: Now is the time to increase your funeral home's awareness on social media (Facebook, Nextdoor). Regularly publish educational content about end-of-life planning on your website and then share it on social media with your audience. The more you engage with your audience, the more opportunities you have to educate them about your services and why your funeral home is best suited to meet their needs.

- Include inspiration funds in preneed contracts. It has been well documented in surveys by The Foresight Companies and the National Funeral Directors Association that families are moving away from traditional services. Even if your funeral home is not yet equipped to offer or host customized events, you need to make them available to consumers. Think of inspiration funds as a bank account (sold as



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a cash advance item) that families can tap into to pay for a truly memorable service.

GET A BETTER HANDLE ON YOUR OPERATING COSTS AND TRUST FUND PERFORMANCE

- Clearly understand the factors that are impacting your operating costs: Start with your overhead cost per funeral (cost per call). As a refresher, here is the formula: Total annual expenses (excluding cost of merchandise) / number of annual calls = overhead cost per call. Set aside time with your finance/accounting team member to discuss expenses. Talk with your sales and marketing team about sales, pricing and marketing expense trends. The cost-per-call number will help you and your team decide if you need to increase pricing, reduce operational expenses or do a little of both.

- Consider re-evaluating your current location and building/office space. Traditional funeral services are in decline, which begs the question: Do you need all your space (viewing room, chapel, display room for caskets and merchandise)? Should you revamp your existing space to better cater to changing consumer preferences about ceremonies?

A growing number of venture capital-backed startups and early-stage companies are forgoing traditional funeral home settings and providing consumers with settings that incorporate modern design, lighting and furniture – and winning over families.

- Trust, but verify: Take time early in the new year to re-educate yourself about your preneed trust account. Many funeral home owners struggle with a lack of communication from their investment and financial advisers. That, coupled with the complexity of understanding preneed trust financial statements, can make it difficult to know if your business is meeting its preneed financial obligations.

One more word on preneed trusts: In today's volatile markets, you need a trustee and trust administrator/recordkeeper that you can, well, trust. You need solutions, like FSI's technology and the comprehensive services provided by our parent company, Argent Financial Group, so you can feel assured that your trust funds are being invested prudently and that documentation is being processed according to state and federal regulations. As we stressed in an article in the January 2023 edition of American Funeral Director, a well-managed, successful preneed trust program often can be the difference between achieving or falling short of financial goals. That's how important this part of the business is to your success.

The beginning of the year is the ideal time to revisit your funeral home's goals and priorities for the next 12 months. By taking these steps, you will better position your funeral home for success in 2024 and continue providing the care and support families need to honor a loved one. •

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