

Win-Win

Improve profit margins in 2025 by taking four proactive steps.

BY BILL WILLIAMS

As 2025 quickly approaches, maintaining and improving profitability in funeral service presents opportunities and challenges that require strategic planning. An evolving industry landscape compounded by shifting consumer preferences and increasing costs requires a close examination of traditional approaches to determine areas of improvement. By implementing foundational strategies for growth, you can alleviate the pressure to increase call volumes year over year as the primary driver of your firm's profits.

Taking proactive steps to adapt to industry trends, satisfy customer expectations and ensure long-term financial success is critical to profitability and success in 2025. This article examines how your firm can improve profit margins by evaluating your business model, updating pricing structures, enacting an effective collection policy and focusing on communicating the value of services and products.

Reexamine Your Business Model

In the aftermath of the COVID-19 pandemic, the funeral industry has seen a significant shift in consumer behavior. According to a survey conducted in 2022, families are opting for more personalized, nontraditional services. While standard services such as viewings and burials still have their place, many consumers now prioritize personalization and customization, with the funeral director taking on a more consultative role rather than a retail-focused one. Consumers also increasingly prefer viewing products, services and pricing online rather than going to a funeral home or speaking on the phone.

Funeral firms can adapt to clients' changing preferences by offering highly customizable celebration of life packages. These could include off-site venues, diverse religious and nonreligious services, digital memorials and virtual attendance options for far-flung family members. Fur-

thermore, a growing demographic of consumers is looking for eco-friendly, "green" burial services. Your firm can meet diverse client needs by offering a more comprehensive range of choices while commanding higher prices for personalized packages. A willingness to create a bespoke memorial experience will keep your firm competitive and relevant.

One of the most significant challenges funeral directors face is determining the cost of services. While the median funeral cost has increased only 5.8% over the past two years, the inflation rate has exceeded 13.6%. This disparity means that firms absorb some additional costs rather than passing them on to consumers. A reassessment of pricing is necessary to close this gap.

A pricing strategy that ensures profitability and reflects the premium service provided is crucial. Making the purchase experience convenient and easier on the consumer while offering more customizable celebration of life



services are investments meriting price adjustments for inflation. The key is to do so in a way that ensures client understanding of the value of the services and personal care your firm provides. For instance, if you offer customizable packages or environmentally friendly burial options, the price increase should reflect the added value these services provide.

As with most significant purchases, consumers consider cost the primary factor in funeral planning. Transparency is critical; you must communicate the full scope of services, the benefits of each package and the reasons behind the pricing. As long as clients know how costs inform the value you provide, you can build trust with those you serve.

Implement a Strong Collection Policy

Strong collection practices are integral to maintaining profitability, yet many firms find them challenging given the emotional nature of the services provided.

The delicate process of handling payment collection often vies with the potential for financial instability due to unpaid and overdue invoices.

An effective collection policy begins by offering straightforward, up-front pricing that families can easily understand. Make sure they know what services they are paying for, when payments are due and the various payment methods accepted. Transparency of payment terms, communicated with care and empathy, is

essential to avoid misunderstandings and payment delays.

To compute average days in receivables, employ this formula: $\text{Accounts Receivable} / (\text{Revenue} / 365)$. The goal for firms should be to collect all payments within 90 days, as receivables that

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extend past this time will be a challenge to collect.

Focus on Communicating Improved Value

As funeral firms evolve their service offerings, it is essential they have a strategy for marketing these changes effectively to potential clients. Incorporating personalized celebration of life packages, virtual offerings, nontraditional memorials and green burials into your business model is only valuable if clients know about them. Marketing your services with a clear message of their value will attract new clients and allow you to justify premium pricing.

Your website, brochures and other marketing materials should,

at a minimum, reflect the full scope of your services. Generating educational content to guide the consumer through service options and pricing is vital, but more importantly, providing various resources online can make a significant impact. These resources may include educational blog posts, videos, guides or checklists; consider varied learning styles in your approach, such as visual, auditory and linguistic.

User-friendly digital platforms allow families to explore their options and learn about the planning process before making decisions, including completing transactions independently. Grieving families are often overwhelmed, and a marketing plan that offers transparent, compassionate guidance allows loved ones to review their options in peace.

Furthermore, offering detailed descriptions of each service package, including photos and testimonials, can help potential clients see the value in opting for more personalized or premium options. As more consum-

ers increasingly expect digital solutions, providing this level of convenience can be a crucial differentiator.

As industry professionals look ahead, implementing these foundational strategies can improve profitability and relieve the stress of increasing call volumes. Your firm can better adapt and succeed in the increasingly competitive deathcare industry by reexamining your business model, updating your pricing strategy, implementing strong collection policies and enhancing value communication. Willingness to evolve and innovate in meeting the changing needs of modern families is central to ensuring your firm's long-term financial health. ☰

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