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Competing with Dignity

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The purpose of this article is to examine certain practices of foreign funeral companies and attempt to draw a correlation between their practices and circumstances in our country today. Before I begin, let us look at basic differences between the Latin-American funeral companies with which I have been associated and the typical U.S. funeral home business.

The Latin-American funeral businesses with which I have been associated were managed in very different manners than their U.S. counterparts. They tended to be managed in two very distinct and separate segments, a funeral delivery division and "market share management". Market share management is my term, not theirs. The funeral delivery function, as we might expect, tended to be similar to the operations of a U.S. funeral home having many of the same issues and challenges. On the other hand, market share management, when viewed in the context of a Latin- American funeral business has no U.S. counterpart, at least not until recently.

The market share management segment of the business, as we might expect, encompassed advertising, marketing, lead generation, and preneed sales programs; ostensibly traditional marketing functions of U.S. funeral homes but the similarities are not as great as I may have lead you to expect.

In the U.S., marketing and preneed programs tend to be finesse instruments. Many programs, if not most of them, have no real purpose in the context of true market share management. They are often obligatory add-ons to already successful funeral homes, playing a distant second fiddle to, and hopelessly entwined with, operations management.

The Latin-American funeral businesses with which I have been associated did not have finesse marketing programs. To give an analogy, our programs tend to be cap pistols; theirs are Howitzers, serious programs with clearly defined objectives. Increasing market share is a primary focus of their business, not an obligatory add-on to their funeral homes. Each market is a battle ground. Their plans are long-term. Their focus is ten years or more in the future. They bring serious methods to bear and give no quarter. There is no U.S. counterpart so far as I know, at least, possibly, not until now.

Marketing in a Latin-American context is much more direct and results oriented. The central feature of the marketing programs is not the funeral home owner or manager. The owner or manager tends to be a part of the delivery function.

The marketing function in Latin-American funeral businesses puts a heavy emphasis on "paid persons of influence" such as a union leader, a community leader, a police chief, a block captain, etc. The focus is to parlay "purchased" influence and visibility into market share expansion. The concept of a "branded funeral service" is a significant part of their long-term planning since "union leaders" and other persons of import often have influence that includes more than one local market.

The Latin-American preneed programs with which I have been associated are very aggressive, even beyond the concept of "paid persons of influence". Lead solicitation is highly organized involving virtually every lead procurement system imaginable. Costs and effectiveness are monitored carefully both in terms of current year budgets and long-term expectations.

To understand the Latin-American concept of marketing, one must get behind the scenes, into the strategic planning aspects. As I have indicated, marketing is not an add-on to a successful business. It is a driver of growth. They do not wait for growth to come to them. They go out and get it. Costs, to the extent that they exceed revenue, are looked at as an investment in their growth. Because of the nature of the funeral service business and because their marketing programs have established histories, growth is the "known" quantity, not an unknown intangible as it tends to be in many U.S. companies. As a result, they are able to determine their return on their preneed and marketing investment both in historical terms, looking back, and based on their anticipated future benefits which they calculate with great confidence. They leave very little to chance, managing their growth and market share very effectively.

Until now, except for a few "crazed" entrepreneurs in isolated local markets, there has been no similar sustained effort in the U.S. with which I am familiar.

To bring this into context, let us think for a moment about “branded funeral service,” a concept that is important in Latin America because the “paid persons of influence” concept is a central focus of their marketing programs.

We have a very established and respected funeral home in my home town. It has been owned by SCI for decades. Very few people in Tallahassee know who owns it. They assume that it is still owned by the Culley family. Obits now have Dignity displayed prominently with the funeral home name mentioned only in the body of the obit. This is a big change. The Culley “franchise” is far too prominent locally to trivialize. For SCI to put a name such as “Culley” at risk of dilution, I must draw the conclusion that SCI has big plans for Dignity, bigger than we know at this point.

As we know, funeral home markets have always tended to be local. Contests for market share have been confined to “local” funeral homes vying for influence within a limited area. “Branded funeral services” have not been a concern for U.S. funeral homes. If one views Dignity’s attempt to give its funeral services a “national brand” from a competitive perspective, the local aspect of funeral home competition may be changing. If Dignity plans to take its “dignity” branded funeral service national, which appears to be certain, the dynamic of local competition may have already changed and we don’t know it. Dignity could have serious implications for the funeral industry.

If we take the “paid persons of influence” (a very kind term) concept to its extreme, independent funeral homes could, in the future, become paid providers of funeral services for a nationally branded marketing company, a concept that probably has not escaped the Dignity executives.

With that on the table, let’s look at methods that Latin-American funeral businesses utilize to expand their influence into new markets. First, they design an exceptional funeral home, one that would not be economically feasible to build in ordinary circumstance without a considerable base of revenue. They market and sell preneed funerals with an artist’s rendering as a prop until construction of the facility is economically viable. They negotiate and enter into an arrangement with a local funeral home to provide services to their preneed fulfillments at a discounted rate until it makes economic sense to build the facility (or from a U.S. perspective, buy the provider at a small fraction of their business value based on a threat to withdraw the contract fulfillments.)

The model makes perfect sense if you view it from the standpoint of the “new” funeral home. It is very different when looked at from the perspective of the provider. One can only speculate as

to the sense of impending doom experienced by the local provider as the contract fulfillments increase and the “at-need” calls decline.

I would suspect that Dignity is a long way from having a nationally branded funeral service and it is pure speculation as to the impact that it might have on local markets. It is certain, however, that the funeral industry is continually evolving and Dignity is another part of the change. Change has become the one thing on which we can count.

As a result of the changes that are occurring in the funeral industry, proactive management is no longer an “add-on” to an already successful funeral business. It is a requirement of enlightened management. Funeral homes have to plan and think long-term to be long-term benefactors of the changes we are going through. If they don’t they will be surprised by the loss of revenue that they experience as a result of the changes that are happening around us.

I have always viewed competition as being among “friendly adversaries”. I firmly believe that a robust competitor makes a business stronger and more responsive to its customers. “Friendly adversaries,” however, does not describe the directness of the assault that I have witnessed in Latin-American funeral businesses. U.S. business executives would not like their methods. On the other hand, they have a very long-term outlook and U.S. funeral homes would certainly benefit from that aspect of their management practices, particularly given the challenges that the industry now faces. Although we would not want a prototype in our local market, I think that there is a lot that can be learned from their story.

For one, we can learn to beware of the person who wants your funeral home to service his or her preneed fulfillments while he or she builds up an economic base to crush you. And, at least consider the impact that a nationally branded funeral service may have on your market and your long-term business plans.