

Funeral Home Marketing for the 21st Century

The purpose of this article is to look at how marketing concepts will have to change if funeral homes intend to benefit from the changes that the industry is going through now.

There are two basic changes occurring today. First, the attitudes and expectations of our families are evolving. In many markets, we are only now beginning to see the front edge of the changes but they are coming as sure as the tides. Second, the economics of the traditional funeral home is changing in response to the evolving needs and traditions of the consumer. To put this more clearly, higher revenue funerals are being replaced by lower revenue funerals in larger and larger numbers and some of the lower revenue funerals are going to non-traditional death care providers.

The funeral industry clearly has its challenges.

First, let me give you my perspective on the future of the funeral industry. I strongly believe that two thirds of today's funeral homes will cease to exist as stand alone facilities in the next two generations. I further believe that the funeral businesses that proactively respond to the changes will be considerably stronger and more profitable two generations in the future. For them, the changes represent opportunity.

The public companies are a perfect illustration. They continually blame death rates and the prices they paid for their businesses for their poor earnings. They are only excuses for the public markets. They are not the reasons for their poor earnings.

The public companies face the same challenges that we all face. Their higher revenue services are gradually being replaced by lower revenue services. Further, the price increases that they implement to replace their lost revenue cause the trend to lower price funerals to accelerate.

There was a prevalent perspective during the last decade that the funeral industry was exempt from normal competitive influences. For a time, it actually appeared to be true in that aggressive price increases did not immediately affect market share. We now know that funeral prices do affect market share. And, the public companies understand this a little more every day.

The issues that the public companies face affect every funeral home. The effect on earning showed up in the public companies first only because their earnings are subjected to greater scrutiny than are the earnings of private companies.

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There is only one way to succeed given our circumstances and that is to continually increase the number of services that we perform. As a result, marketing is no longer an optional addition to a successful funeral home. Because growth is a prerequisite for long-term survival, marketing has to be an integral part of the management and decision process.

To illustrate my view, I would like to share a recent experience with you. I recently traveled almost a thousand miles to attend a funeral for a friend, a contemporary of mine. The funeral home was magnificent and was meticulously decorated. The facility, however, is not important to my story.

More importantly, the funeral introduced me to my friend making me understand his life more than I ever had while he was living. His life was commemorated through displays of photographs and memorabilia that had been important to him. He was a veteran, an officer.

A minister spoke. Friends and family added their stories and a special feeling of closeness. As the funeral drew to its conclusion, the doors to the chapel opened to a marine officer in full dress uniform. He gave a short

formal eulogy before exiting, leaving the doors open just outside the chapel and a "twenty one gun salute" commenced.

The story is that the funeral was a life event for me personally, one which I shall never forget. It brings me to tears as I attempt to relate it to you and I can assure you that it had a similar impact on everyone who attended the service.

The funeral home is owned by a public company. I never saw a funeral director during the service. The funeral was different in virtually every respect from others that I have attended. I am sure that it was a lot of work for the funeral directors and the family. I am also sure that it was worth the extra effort. I saw the impact that it had on the people who attended. I have a little better understanding of what it means to satisfy the needs of the family today than I did before the service. The words are just a little more tangible to me. I would like to think that my funeral will do the same thing for my family and friends that his funeral did for his. The ceremony also introduced about 200 people to the funeral home in a very personal way. It was the ultimate achievement in funeral home marketing.

This article, however, is not about traditional marketing methods, no matter how effective they are. It is about the marketing methods that are necessary for the success and survival of today's funeral homes in the coming century. Funeral homes will have to adopt a whole new approach to marketing if they are going to increase their long-term profitability in our new world. The "percentage of revenue" concept of marketing and advertising that was introduced to the funeral industry by the public companies is not the answer. It is part of the problem because it tends to represent an expenditure of funds without an expectation of results.

Management must adopt the philosophy that every decision translates into a marketing opportunity. Funeral homes have to incorporate a carefully crafted marketing strategy into every point of contact, both in the funeral home and in the community. Management has to create an environment in which every decision is considered in the context of the company's long-term growth strategy. This approach will represent a difficult change of philosophy for many funeral homes. Funeral homes have tended to rely almost exclusively on traditional advertising programs, community involvement of the owner and an all-too-often ineffective preneed program, one which was not implemented to increase market

share. The traditional approach to marketing is not enough to ensure our long-term survival given our current dynamics.

In order to be effective on a long-term basis, funeral homes have to incorporate every day functions and disciplines into their marketing program. A sample list of functions that have to be incorporated into the marketing program includes employee motivation; compensation; training; quality control; pricing; merchandising; credit policies; contact management; collection policies; advertising; discount policies; community activity; preneed; web site; and repair, replacement and renovation programs. While the list is extensive, it is by no means complete.

The marketing effort, however, must first critically assess the responsiveness of the funeral ceremony to the evolving needs of the consumer. This in itself represents a special challenge. The "needs" of our families are rarely going to be stated and a post service mail out will not be responsive for this purpose. It is going to take a special and continuing commitment on the part of management to make "responsiveness of service" an effective part of a marketing strategy.

The basic thrust of an effective marketing program is to build an organization that takes advantage of the opportunities inherent in every contact at every level of the company. The executive entrepreneur cannot do it alone any more. Growth is now a prerequisite to long-term survival and it will take the energies of a team, not just one or two members.

Credit policies are a good example of a not so apparent marketing opportunity. The funeral industry tends to look at bad debts as a cost that, in a perfect world, would be eliminated completely. In reality, bad debts are a marketing expense, not very different from advertising. It is simply a cost of increasing the influence of the funeral home in the market area. It is a cost that with careful management will increase both short and long-term profits. In a different world, credit policies would be at least partly under the influence of the marketing department where they belong.

There are many opportunities in the funeral industry to increase profit through management. Every other type of business attempts to take advantage of them. For some reason, funeral businesses usually do not. According to Pat Relyea of Funeraljobs.net, the career

profile for a funeral director is similar to that of a minister. It is possible that the similarities may be part of the reason why funeral businesses appear to be different.

The article is written to give the independent funeral home owners and managers the insight to make their business more successful. There are very few people, however, who are capable of managing a marketing function with the expanded responsibilities that this article contemplates. There is an apparent paradox inherent in this analysis but the paradox is not a real one. The solution is not a fancy marketing department. It does not necessarily involve a marketing department. The answer lies in effective management; management with focus and direction; management with a mission; management that knows where it is, where it is going and has a plan to get there.

Effective management starts with a vision of what the Company can be and how it can be successful on a long-term basis. The vision is reduced to strategy level initiatives and then further reduced to specific objectives and a business plan that incorporates the company's marketing and growth objectives. The business plan is the road map for the organization. Its management systems are its compass. And, a road map, a compass and leadership is enough to transform a slow growth Company into a powerhouse.

The company will need a sound financial management system to crystallize its objectives and to keep score. It is important that management be able to assess the effectiveness of its initiatives and change or eliminate them depending on their results. Unless we can measure the effectiveness of specific programs, marketing is prohibitively expensive.

The traditional concept of marketing has to adapt to the changes that we are going through. It has to be built into the very fabric of the business and must be the focus of every client contact. Virtually every decision must be motivated by the company's long-term marketing strategy. Company initiatives must have a budgeted cost and a budgeted outcome. Management has to create an expectation of accountability within the organization. Effective marketing and effective management are inseparable.

The challenges facing funeral homes over the next century either represent opportunity or a slippery downward slope. Those that recognize the opportunity and manage their market share proactively will be the

benefactors of the changes, stronger and more profitable than ever. Those who do not embrace the opportunities will be with us for a while yet. The changes will not happen overnight.

The decade of the 1990s started out with the independent funeral homes trying to mimic the management systems and techniques of the public companies. Many succeeded and they benefited as a result. The systems and methods of the public companies, however, only have limited effectiveness since they are not drivers of growth (the true measure of an effective management system). The systems ultimately fail because they do not effectively link financial management and market share. They have become an accounting exercise. Management is about setting objectives, motivating, monitoring effectiveness and rewarding accomplishment. It can never become an accounting exercise.

So what is the message here? Is it that the no-growth and slow-growth funeral homes are dying slowly? Is it that funeral homes have to incorporate marketing into every aspect of their business plan? Is it that marketing has to drive the decision process? Is it that firms have to think and plan long-term to be long-term survivors? Is it that firms must understand and satisfy the evolving needs of their clientele? All of these are true but they are not the message that I wish to convey.

Funeral home executives have to recognize that the term "marketing" is too limiting to be useful in the context of a comprehensive management system. It no longer adequately describes the processes that an enlightened management must employ to ensure growth in a world in which growth is an imperative. The term marketing is more appropriately replaced by the term "market share management" which is more descriptive, more encompassing and better defines the function in a management context. In today's world, managing growth is the imperative and market share management is a primary responsibility of the funeral home chief executive. That is the message.