

Funeral Homes Slowly Adapting to

Changing Times,

as Growing Numbers Embrace
Cremation and the Internet

By **Edward Horton, CPA**

"Even if you're on the right track, you'll get run over if you just sit there."

- *Will Rogers*

Old Will Rogers, cowboy and humorist, wasn't referring to funeral homes when he said the above, but it's an apt description of the industry, according to a survey our firm recently conducted.

While there's been progress made by some funeral home owners and directors to adapt to changes within and outside of their industry, many have still not taken the substantial action they'll need to take to survive.

Overall, funeral home revenues are relatively flat. But many have seen profits plunge as much as 50 percent from 20 years ago, as death rates have decreased and cremations and alternative burials have become more popular. In fact, 44 percent of the survey's respondents this year ranked the increase in cremations and alternative burials as the most damaging change in the funeral home industry, up from 28 percent in 2006.

A small but growing percentage of funeral homes are taking steps to combat declining revenues. In this year's survey, 16 percent of funeral home owners said they had added or upgraded their cremation services and/or packages, up from 10 percent in 2006. Another nine percent said they had added more options or innovations.

It's nice to see those numbers increasing, but the other side of the coin is that more than 75 percent of the funeral homes are not taking significant measures to ensure their long-term success. Many funeral home owners think about service first and about business profitability second. Customer service is paramount in their business, but funeral home owners can't pay short shrift to sound management and fiscal practices if they want to continue being a vital part of their communities.

The survey, which polled more than 250 funeral homes from New York, New Jersey, Connecticut and Pennsylvania, also found there was a substantial increase in the use of web sites within the industry over the last year, as 67 percent of respondents now say they have an Internet presence, vs. 55 percent just a year ago. And two-third of the funeral homes with web sites said they received calls from prospective customers because of their online presence.

Still, many firms are not taking the actions they should to assure their continued financial well-being. Among the survey's key findings:

- A majority of funeral homes guarantee or lock-in pricing for pre-paid funerals as a standard practice, even though the



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prospective decedent may be alive for many years and the funeral director could end up not having enough on hand to cover his or her own costs.

- Almost half of the respondents don't know the present value of their funeral home.
- Most still opt to give away knowledge-based services (such as information on end-of-life planning and Social Security benefits) rather than devise a method to charge for them directly or indirectly.
- Most directors and owners don't have "exit strategies," although most do have clear, general intentions regarding who should inherit or buy their homes.

There is Good News

The good news for funeral homes is that owners and directors are realizing that action needs to be taken to stem declining profits, and a growing percentage have taken small steps in a number of areas, according to the survey.

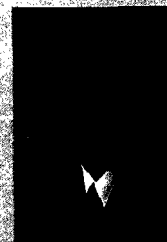
Most funeral homes, already offering counsel on Social Security and veteran's benefits, say they would like to offer

more, such as end-of-life planning, life insurance and estate planning. Many have increased revenues by expanding sales of personalized caskets, memorial DVDs and other items.

In a nod to bettering their cash flow, the number of funeral homes requiring an advance payment on funerals increased to 35 percent, from 26 percent the year earlier. Those funeral homes that require advance payment are also asking for a greater percentage up front – an average of 73 percent of the funeral cost vs. 66 percent in the prior year.

Funeral homes and their staffs generally have a great reputation for caring and serving within their communities. Owners and directors need to realize that they need to adapt in order to continue serving their communities. This may include requiring more money up front, offering non-traditional services and embracing new technologies, such as the Internet. ■

ABOUT THE AUTHOR



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