

Combo Marketing

By Daniel M. Isard

Who in their right mind was the first person to pronounce the phrase, “The Deathcare Industry”? This three word phrase attempts to align the funeral and cemetery businesses into one cohesive unit. Hah! The phrase is horrible and a misnomer. Except that in the eyes of the public, “we” is “they” and “thems” is “us” and “we are all together”. The tiny island of Deathcare is born and we cannot sink it. So, let us learn to profit on it.

In the eyes of the public the funeral business and the cemetery business are united. In reality, nothing can be further from the truth. Funeral Directors are care givers and Cemeterians are sales people. Don't misjudge this statement; sales people can provide care and sympathy and there are some funeral directors that are proactive and marketing oriented. These are not intended to be a sarcastic oversimplification. The gross membership of the industry follows my generalization.

When some larger organizations have attempted to unite funeral homes and cemeteries under one common management philosophy, it didn't work. The history of the chain ownership can tell that tale. The Loewen Group (RIP) tried to have Tim Hoggenkamp run both funeral and cemetery organizations in the 1990's. Tim was a funeral director. That didn't work as he didn't understand the sales issues of the cemetery side. Loewen then let Larry Miller and Bill Shane run everything. Larry and Bill are cemeterians and that didn't work as the funeral directors were uncomfortable with their emphasis on sales. It is not that they didn't do a good job. But the funeral director and the cemeterian speak different languages. This is not a put-down of the public companies, privately owned companies that own funeral homes and cemeteries have the same problem; one of the two components suffers.

It makes sense to try and operate them both as the cemetery is a final resting place of the buried body. It makes sense for a funeral home to own and operate a cemetery as much as it does a funeral home to own and operate a crematory. Both represent final disposition facilitators.

The cemetery should have a funeral home as the funeral home is a source to the sale of land. The public sees a funeral home as the method of getting a body into the ground or the crematory. Regardless of the reality as seen through the eyes of a person within this industry, the eyes of the consumer see us as one. Perception is always more important than reality.

In each of the Wirthlin Reports there are consistently asked questions about the logic of consumers prepurchasing cemetery land for interment purposes and prepaying for their funeral services. In most cases the public sees it to be more than 300% more important to own a cemetery interment, than it does a funeral service. Ultimately someone buried is going to be a case of a funeral home. There is no practical way around that. So, why does the public not see the wisdom equally in purchasing each a cemetery interment and a funeral plan? It is because cemeterians are good marketers.

Cemeterians have been advance selling their graves and mausoleum spaces for more than 2 centuries, whereas funeral prearrangement is for the most part just beginning to be widely understood. Cemeteries sell something tangible, whereas funeral homes are selling a service (with a merchandise component). The cemetery grave location may not be available if someone waits, so people in their 50's and 60's know that they need to buy to reserve the space with family or friends. The funeral plan is important, but it is just as effective if purchased tomorrow as it would be today.

Combo's have the best of both worlds when marketing. They have the perceived urgency of the need and the ability to provide the service component. There are shirt stores and there are shoe stores. Why is it that high end retailers sell the suit, shirt and shoes? They know that the consumer is motivated to address these shopping issues on time, so by offering an integrated solution it helps the consumer. People don't like talking about death, especially their own inevitable death. If planning a funeral the consumer can also purchase their interment space, or vice versa the consumer only needs to be maudlin one time.

Combo's are usually strong financially. The combo can use the sale of the land to subsidize the business operation while building up the funeral home. Every time a visitation or chapel service takes place in a combo's funeral home, those attending are being passively advertised to by the cemetery.

Combo's allow someone to ask to be sold. Well established cemeteries will generate revenue from advance sales that is about 150% that of their at need sales. For each sale that is solicited by the advance sales counselor in a combo, there will be at least two sales that are made just by the sales counselor standing by the door of the office. While there are some preneed sales requested by consumers, most are generated by people preparing to spend down their assets.

I have stood in client's funeral homes where people of means want to know what the funeral director will do for them, "cause mom didn't have any

money”. I have never seen someone of means come into a ‘for profit’ cemetery and ask about their pauper’s options.

Sales people that want to sell advance arrangements are better off selling for a combo. They can make a commission on a sale of land and funeral service, instead of just one or the other. The funeral home might battle the question of funding their preneed counselor out of insurance commission or a percentage of the amount to deposit to trust. In a combination, the cash flow is easier to dole out between the outright sale of land, before the possible trusting requirements for merchandise or services. If you add the sale of insurance on top of that, the company can generate good money today and when the time of service occurs.

From a cash flow standpoint, combo’s can better afford to market. If a cemetery has a \$1,000 interment fee and \$1,000 for the Opening/Closing, that enterprise can use the proceeds from the interment fee and (usually) a portion of the Opening/Closing to spend on marketing costs. If you were to contrast that with a funeral preneed sale that business might only have a small percentage of the total purchase to use on marketing. Marketing is a simple concept, the less you pay for it the less you usually sell from it!

From a consumer’s standpoint, combo’s may be cheaper due to cost savings by not needing a hearse or escorts to be cash advanced. Some cemeteries charge vault placement or marker setting fees if a funeral home sells these items, whereas when a combo’s funeral home sells these, once again the consumer will have some savings. So, if something is a one stop shopping event, cheaper and accomplishes the consumers goals, why wouldn’t a consumer choose it.

Some states prohibit combo’s. This is isolationism at its finest. These were rules started by one of the two competing industries as an attempt to preserve profit opportunities. I am not promoting one industry over the other, but funeral directors are worried that cemeteries will squeeze them out. The reality is, in markets with combination operations the better business person will prevail, not one industry over another.

Ultimately, whether funeral home, cemetery or combo the sale that is being made to the consumer is that of “public trust”. When one person fails to live up to that most important sacred commodity, all within the broad brush of public opinion are lambasted. Funeral directors that abhorred cremation were vilified with cremation irregularities of Georgia or New Hampshire. Cemeterians nationwide are called under scrutiny when a cemetery trust irregularity occurs. Funeral directors and cemeterians alike are seen for better or worse when something draconian occurs.

If we are going to take these risks, then we should have the chance to profit. Funeral homes that do not own cemeteries can be a sales agent for a cemetery (subject to state law). Cemeteries that do not want to use up valuable inventory can enter into a marketing agreement with a funeral home (subject to state law). If you are going to have the risk by association, then associate and get the mutual profit!

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