



Industry Trends: How I See It

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According to the Cremation Association of North America (CANA), the cremation rate in the United States today is 31% and based on 2004 statistics the rate will be 51% in 2025. While this is somewhat alarming for the traditional funeral home, it becomes even scarier if you keep in mind that previous CANA projections have always been conservative.

Consider also 1,600 veterans die each day and approximately 12% of those buried utilize full veteran benefits. This includes a free burial plot, free grave marker and free concrete grave liner, as well as free opening and closing of the grave and perpetual care. Nearly 100,000 veterans are buried in the veteran cemeteries each year. This equals 3 1/2 % of all annual deaths.

Besides the certainty of paying taxes, we all know the other certainty is death and that eventually we will all pass and need some type of funeral services. The deck is becoming stacked against us with the above industry changes, not to mention better medical care and better awareness of medical issues that have increased our life expectancy to 77.9 years, the highest it has ever been.

In 2004, the death rate dropped two percentage points from the previous year. Part of this death rate decline was anticipated dating back to the low birth rate during the "Great Depression" (1928-34). It looks as if we are at the front end of those 2% declines and it is expected to persist through most of this decade.

Competition in the past has been from the funeral home down the street or somewhere else within your zip code. Today that too has changed. We see casket stores sprouting up in many cities and suburban malls. They sell caskets, vaults and even monuments. Big box stores like Costco have begun offering caskets for sale with their quarter cut displays and two day delivery. While this started out slow in (City,) Illinois and a few other cities, it has been rolled out to over 25 locations and doesn't seem to be as experimental as it was once. The internet too has come banging on doors with opportunities to buy caskets, vaults, urns and other merchandise. For much of this change, the unfettered ability for funeral

homes to sell product has been severely restricted. Funeral homes must look to what makes them unique to the family and how they bring value. Typically the answer to that is personalized family care and service wrapped into one professional person from a firm that has been an upstanding member of the community for many, many years.

Studies show that families are not interested in bringing their dead relatives back into their homes for viewing or digging their own graves to save money. What they are doing is demanding better value. And, they want things their way. No different than buying their televisions, cars, and going out to dinner. It's just the way things are today.

These factors combined reduce the opportunities for funeral directors to maintain their business in the way they have in the past. I am not saying this is good or bad; it's just that there are changes that need to be addressed by all in the funeral industry for these trends are driving the change.

We are also about 8 years past a 10 year cycle of rollups in the funeral industry by large consolidators. That trend ended in a bang, if not a bust, when Lowen declared bankruptcy and the stock of SCI and Stewart fell by nearly 90%. What came out of the fallout from these market changes spawned several smaller regional consolidators with 3 to 150 properties looking for synergies of facilities, equipment and manpower. They are a new and different type of funeral service provider trying to deliver their services a little differently.

We see the more up-to-date and intuitive managers and owners in the industry being on top of the curve, if not ahead of the curve, in providing value to families. These people are shaping consumer trends. They are identifying and packaging merchandise with their services so that they can maintain their revenue and grow their businesses. Sometimes this takes on new sources with memorial services, celebrations of life with videos or other personalizations. It includes building a hall adjacent to the funeral and renting it out for catered services which take place after visitation or the cemetery service or for cremation Memorialization. It could mean meeting or beating competition from other providers including casket stores.

More funeral homes than ever are entering the retail monument business. Many times this takes place at the time of need when first meeting with the family or just after, while the family is still together and in town. Follow through on that monument sale includes the final installation and forwarding a picture of the in-

place monument to the family. Average monument sales by funeral homes are higher than subsequent retail store sales; gets completed faster because of full family agreement; and builds a relationship between the family and the funeral home.

Becoming the coordinator of all the services for a family, as well as providing good communication and trust, enables the funeral home to build a bond with that family to provide future at-need and pre-need services.

All of the above changes in the industry, population demographics and consumer trends have caused funeral professionals to rethink their business model and work harder at their business. With cremation, veterans administration and the reduction in the death rate at their door step, the challenges of being the preferred provider to families and not just the closest property to the deceased's home, are as difficult as ever. The stakes of being successful or going broke are the highest they've been.

On the cost side of the ledger, several services are being outsourced now which will relieve some of the burden. For example: renting family cars only when needed; using contract embalmers or embalming services instead of having a full service embalming center for reducing case loads; and outsourcing cremations in lieu of making a capital investment for an in house retort.

As witness to this, Federated Funeral Directors of America, which handles the bookkeeping for more than 1,400 funeral homes, released financial statistics which indicated that if things remain the same, funeral directors are going to be breaking even by the end of this decade.

Looking back to 1995, average pre-tax profit per case was \$484.94. Fast forward to 2005 the same pre-tax profit per case adjusted for inflation is only \$314.23 or a 10 year decline of 35.20%.

What will the next 5 to 10 years bring to our industry? I think we have a pretty good indication with what we know today. We just need to accept it and meet our customer's service expectations. And, as always, keep reading; attend seminars and conventions; and continue listening to the requests and ideas of our customers.

The key to success is not having the lowest price or nicest facility. It is having your community and the families you serve recognize the value that your funeral home provides at one of the most difficult times in lives.