NAICS Code: 812210, SIC Code: 7261

Completed by Dawn Jimenez

Our new Constitution is now established, and has an appearance that promises permanency; but in this world nothing can be said to be certain, except death and taxes.

Benjamin Franklin (1706-1790)

More than two million people died in the United States last year. For consumers, funerals and burials are big businesses. A funeral is one of the most expensive events in one’s life: the average cost of a traditional funeral is close to $7,000. If you add flowers, obituary notices, acknowledgment cards, burial liners or vaults and special transportation, your costs go up.1 When a loved one dies, grieving family members and friends often are confronted with dozens of decisions about the funeral – all of which must be made quickly and often under great emotional duress.2 When emotions are high, it can be hard to remember that the cost of a funeral is not a measure of feelings for the deceased. It’s not unusual for a family to spend $10,000 for a funeral today.1 To help relieve their families of some of these decisions, an increasing number of people are planning their own funerals, designating their funeral preferences, and sometimes even paying for them in advance. They see funeral planning as an extension of will and estate planning. By thinking ahead individuals can make informed and thoughtful decisions about funeral arrangements.2

A 2007 telephone survey conducted by the Association for the Advancement of Retired Persons (AARP) found that a sizeable portion of the 50+ population (34%) has engaged in some preplanning for a funeral or burial, and just under a quarter of individuals ages 50+ (23%) have prepaid at least a portion of funeral or burial expenses for themselves or someone else. This translates into approximately 29.5 million individuals ages 50+ in the U.S. who have preplanned any part of a funeral or burial for themselves or someone else and 20.0 million individuals ages 50+ in the U.S. who have prepaid for funerals or burials.3

Pre-Planning

Planning your own funeral arrangements can be a thoughtful and considerate way to ease the burden on your family. Planning lets you shop and compare goods and services without time constraints. You can find the best prices, make sensible decisions, and discourage
emotional overspending on elaborate arrangements that family members might be tempted
to purchase in their bereavement. Some individuals may also preplan by setting aside
money in a bank account for the future purchase of funeral and burial goods and services by
the appropriate survivor. The account can be designated as “payable on death” (POD) to
the funeral home.

**Pre-Paying**

Individuals prepay for funerals and burials by entering into a preneed agreement, or
contract, to pay in advance for goods or services they will receive upon death. Generally,
this agreement is between the individual and the funeral director or cemeterian, and is
funded through a funeral trust, annuity, or insurance policy. At the time of the agreement, a
third party – typically a trustee or insurance company – assumes responsibility for the
management of the funds. Upon the individual’s death, the funds are used by the
representative of the funeral home or cemetery to provide the designated goods and
services.

Each method of prepayment has its advantages and disadvantages. To help determine which
option is best for you, make sure to ask your funeral director the following questions:

- Who receives the interest on the account?
- Who must pay taxes on the interest?
- Is the prepayment ever refundable, in part or in full?
- Can the plan be used at a funeral home of your choice?
- What happens if the funeral home goes out of business or is sold?
- In the event that you move, is the prefunded plan transferable?

**The Funeral Rule**

The Funeral Rule, enforced by the Federal Trade Commission, requires funeral directors to
give you itemized prices in person and, if you ask, over the phone. The Rule also requires
funeral directors to give you other information about their goods and services. For example,
if you ask about funeral arrangements in person, the funeral home must give you a written
price list to keep that shows the goods and services the home offers. If you want to buy a
casket or outer burial container, the funeral provider must show you descriptions of the
available selections and the prices before actually showing you the caskets.

Many funeral providers offer various “packages” of commonly selected goods and services
that make up a funeral. But when you arrange for a funeral, you have the right to buy
individual goods and services. That is, you do not have to accept a package that may include
items you do not want.

According to the Funeral Rule:

- you have the right to choose the funeral goods and services you want (with some exceptions).
- the funeral provider must state this right in writing on the general price list.
- if state or local law requires you to buy any particular item, the funeral provider must disclose it on the price list, with a reference to the specific law.
- the funeral provider may not refuse, or charge a fee, to handle a casket you bought elsewhere.
- a funeral provider that offers cremations must make alternative containers available.

Industry Overview

Demand for services is driven mainly by the number of older Americans. The profitability of individual companies depends on good marketing and efficient operations because local demand is relatively fixed. The main advantage of large companies is their ability to share resources (like cars, personnel, and marketing costs) among clusters of funeral homes. Small operators can compete successfully with national companies because the funeral business is intensely local. The industry is fairly labor-intensive: annual revenue per employee is $100,000.

Companies in the industry sell products like caskets, burial vaults, burial garments, flowers, burial rights, memorial stones, and cremation urns. Services include body preparation, transportation, facility rental for wakes and memorial services, opening and closing burial plots, and cremation. Caskets are the largest cost item for most funerals. National suppliers include Batesville Casket, Aurora Casket, and Matthews International. Most funeral homes conduct fewer than 100 funerals a year and have a large investment in physical assets that are often idle.

Funeral Service Facts

- There are 21,080 funeral homes in the United States that employ approximately 105,668 individuals.
- Eighty-nine percent of funeral homes in the U.S. are owned by individuals, families, or closely held private corporations. The remaining 11 percent are owned by corporations whose stock is publicly traded.
- The funeral service industry generates $11 billion in revenue each year.
- In 2007, 70 percent of deaths were casketed and had some form of ritual or ceremony, according to the Casket & Funeral Supply Association.

**Funeral Costs**

Source: National Funeral Directors Association

**Industry Trends**

Today’s families are bringing new values, preferences and opinions that are changing the world of funeral service. They are thinking differently about how they want to honor their loved ones and have new perceptions of the funeral service profession. The following are just a few of the trends in funeral service.

**The Popularity of Personalization**

- As baby boomers age and find themselves having to plan funerals for loved ones and themselves, they are making funeral choices based on values that are different than previous generations. Baby boomers see funerals as a valuable part of the grieving process and are seeking ways to make them meaningful.
- Today, funeral service consumers are planning funeral services that are as unique as the person who died. The idea of personalization has resulted in an explosion of unique services that reflect the hobbies, passions and interests of someone who has died. Through personalization, funeral services can be more meaningful.

**Cremation on the Rise**

- The public’s interest in cremation continues to rise. In 2007, cremation accounted for 34.89 percent of final dispositions in the United States. As the popularity of cremations has grown, so has its acceptance among various religious faiths. Religions that previously frowned upon cremation are now understanding its value to families and adjusting their doctrines to accommodate this choice.
- Cremation is just one way a family can lay their loved one to rest; it is another option in addition to earth burial or entombment in a mausoleum. Cremation does not preclude a visitation or funeral service. A visitation and/or funeral with the body present can be held prior to cremation. Alternatively, a memorial service with the cremated remains present can be held after the body has been cremated.
Green Funerals

- Being green in funeral service is a natural consequence of today’s American eco-consciousness. Consumer lifestyles and values, whether environmental, spiritual, philosophical or conservation oriented, are reflected in consumer attitudes toward products and services in the market and affect decision making. This includes attitudes toward death and funerals. Green funeral choices are expected to grow in popularity in the U.S. as this eco-consciousness grows.
- A green funeral incorporates environmentally-friendly options in order to meet the needs of a family requesting a green service. A green funeral may include any or all of the following: a small gathering in a natural setting, use of only recycled paper products, locally-grown organic flowers, carpooling, organic food, no embalming or embalming with formaldehyde-free products, the use of sustainable biodegradable clothing, shroud or casket, and natural or green burial.10

Marketing

In 2004, the National Funeral Directors Association found that the most frequently chosen reason for selecting a funeral home was previous service to the family (chosen by 51.7% of respondents), followed by location (50.9%), reputation (50.4%), attendance at other funerals (24.8%), prepaid/prearranged funeral (22.1%), facilities (19.8%), personal recommendation (19.2%), price (8.8%) and advertising (3.4%).10 This demonstrates that for the funeral home the best marketing tool is personal relationships rather than traditional advertising.11

Word-of-mouth marketing is often considered one of the oldest and most powerful forms of advertising. In fact, most businesspeople understand that it works - they just don’t know how it works. Some people think word-of-mouth is something that just “happens” - like the weather - and they let it take its own course. But if you want to be successful at developing word-of-mouth for your business, you should be as organized and thoughtful about it as you are about other types of advertising and marketing.12

Another marketing strategy is to tie funeral home website to something where families will turn at that moment of need and be that funeral home at the other end of the link click to funeral services for the cemetery they will use.

Find out where the consumer is going when they are looking for “cemetery lots for sale” or “grave sites for sale” or “cremation arrangements” “final arrangements” and get tied in with whoever is at the end of that search. Try to tie directly to the cemeteries you serve in as many markets as you can. Get a link but not just one at the site on any page that website
decides to put you. If it is going to work for you it can’t be in a long litany of other funeral homes or part of a directory.13

**Suggestions from Sageworks**

Sageworks provides financial data to the SBDCNet free of charge to help us provide better information to entreprenuers who chose to use the SBA’s Small Business Development Center(SBDC) Network.

Here are a few of their suggestions for the funeral services industry:

- Manage inventory continuously. Often, vendors of caskets and vaults have excellent response times, minimizing the need for large inventory. Work with vendors to assure quick responses to needs as this will help keep cash free in the future.
- Consider partnering with a local florist. This can decrease your floral set up and delivery cost.
- Offer to help plan and personalize funeral services for your clients. Recent studies indicate that as the Baby Boomers generation ages, personalized funerals will increase in popularity
- Consider offering additional services, such as funeral videography, which will increase revenue without much associated cost.
- Set longer terms for Accounts Payable when possible. For example, increase a 30 day payment window to 60 days.
- Search out multiple qualified vendors to get the best prices through competition, while maintaining quality. If the business is not continually reviewing/updating its existing and potential vendor lists, it may overspend on supplies/inventory.
- Have an attractive web presence. List the services you provide and allow customers to set up appointments online.

**Associations**


Funeral Ethics Organizaton- [http://www.funeralethics.org/](http://www.funeralethics.org/)


Sources


9 Note: Surveys not conducted every year. Costs reflect the average prices for non-declinable basic service fee, removal/transfer of remains to funeral home, embalming, other preparation of the body, use of facilities/staff for viewing, use of facilities/staff for ceremony at funeral home, hearse and service car/van, basic memorial printed package, and a metal
casket. Costs do not include outer burial container, cemetery, monument or marker costs or miscellaneous cash advance charges such as flowers or obituaries.


Photo by Kerri Shaver on Unsplash

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