

Going Global: Breathing New Life Into Funeral Home Profitability

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The funeral business has evolved from local service to global reliance in just a short decade. With the advent of the internet and social media, communication and products provided to families reach far beyond the boundaries of funeral home area of operations. We have become truly an international business. That's good news overall, but it also means that a funeral home's list of competitors has increased exponentially. Now it includes not just the funeral home down the street but very possibly the funeral service provider that exists in the Cloud. And it also includes businesses that offer product and services directly to the consumer such as low-cost caskets sold through large national warehouse chains.

And, of course, funeral home owners are faced with increasing pressure to make profits as consumers increasingly shift to cremation. Simply stated, it's a new age and one that demands abandoning old notions and old habits if the funeral home is to thrive.

One such old notion that must be abandoned has to do with sourcing of products.

For example, mobility and transportation are necessary for funeral service operations with use of lead cars, hearses, flower/utility transport, and local service cars. The odds are likely that in your garage are vehicles that, on the surface, are "Made in America." But a quick Google search on your foreign-made smart phone will reveal that one of the funeral industries' most widely used autos, the Cadillac, has a significant amount of offshore manufactured components. Depending on the model, the highly regarded Cadillac has parts made in China, Mexico, France, and Canada. The percentage of foreign components varies from 35% to 79%. The families don't know and the families don't care just as long as they are well-served by the funeral home.

Evolving in a similar manner to automobiles is the manufacture of caskets, another big ticket item that is an essential element to funeral home service as well as an essential element of profitability. Not long ago, caskets made outside of the United States did not have the quality or appeal of domestic-made products. But over the past decade, as with vehicles, the acceptance of caskets made in (go ahead and pick a country) has gained a foothold among a number of savvy funeral professionals. Indeed, interestingly, the major American casket manufacturers have succumbed to the financial pressures of their own profits by closing manufacturing plants, shifting and opening plants in Mexico, as well as using foreign materials. Virtually all cloth for interior materials and hardware are made offshore, mirroring US automakers. Look closely and you'll see that many of the caskets offered by the large US manufacturers now display the "Made in Mexico" label for both metals and woods.

So here's a question: Given the fact that US casket manufacturers are using foreign materials and making caskets outside the US, shouldn't the wholesale price of their products be lower as a result of such cost-saving measures? Here's another question: If going outside US borders to source components is good enough for those top US brands, why shouldn't funeral home operators do the same?

Let's do the numbers

Of all the languages in the world, the most understood is math. Using the examples of three casket companies (we'll call two US brands "A" and "B" with "C" representing a Chinese import brand), let's look at two comparable products, a best-selling high-quality 18-gauge white/pink casket and a high-quality solid oak casket. The cost differentials are compelling:

	Casket Wholesale (18 gauge)	Casket Wholesale (Oak)
Casket Company "A"	\$1,890	\$2,065
Casket Company "B"	\$1,975	\$2,285
Casket Company "C"	\$ 785	\$1,100

Continuing with the language of math, let's assume a markup of 100% for retail:

	Casket Retail (18 gauge)	Casket Retail (Oak)
Casket Company "A"	\$3,780 (\$1890 profit)	\$4,130 (\$2065 profit)
Casket Company "B"	\$3,950 (\$1975 profit)	\$4,570 (\$2285 profit)
Casket Company "C"	\$1,570 (\$785 profit)	\$2,200 (\$1100 profit)

Assuming you were to price Casket Company C near, but still below the above noted retail price for A and B, the margins of profit are higher and the cost to the family is still lower:

	Casket Retail (18 gauge)	Casket Retail (Oak)
Casket Company "C"	\$3,500 (\$2,715 profit)	\$4000 (\$2,900 profit)

If a 100-call firm averages 60% burial and assuming the above caskets are 50% of all their casket sales and it's an even split between metal and wood:

	Casket Retail (18 gauge)	Casket Retail (Oak)
Casket Company "A"	\$1,890 profit x 15 sales=\$28,350	\$2065 profit x 15 sales =\$30,975
Casket Company "B"	\$1,975 profit X 15 sales=\$29,625	\$2,285 profit x 15 sales=\$34,275
Casket Company "C"	\$2,715 profit X 15 sales= \$40,725	\$2,900 profit x 15 sales= \$43,500

	Combined Casket Profit	Difference in profit from Company C
Casket Company "A"	\$59,325	-\$24,900
Casket Company "B"	\$63,900	-\$20,325
Casket Company "C"	\$84,225	KA-CHING! (Chinese expression)

Perhaps the language of math is becoming clear; but there's more to this story...

Not all woods are created equal

Wood caskets present an interesting perspective. Just like in a forest, there are many species of wood, and many kinds of "wood" caskets, only some of which are solid hardwoods while others are veneer. Solid hardwoods are often easily identified by simply inspecting the wood on the bottom of a casket. Does the species of the bottom match the species of the other constructed wood on the casket? If the

bottom is plywood or MDF (Medium Density Fiberboard), then this is not a solid hardwood casket. As a reminder, the species is not the color of the stain, rather the actual wood used throughout the casket. To have confidence of the wood species of your caskets, ask the provider to remove the foot cloth material and inspect for yourself. Expect what you inspect.

Pulling back the veneer

Veneer caskets are made of thin layers of wood bonded or glued to particle or fiber board. Veneer caskets have been offered by US manufacturers as a low-cost alternative to solid hardwood products. (Interesting that company B veneer caskets are manufactured outside the US to arrive at their cost savings.) But on a straight matter of money, when comparing prices, Company C still comes out ahead with their solid hardwood casket, as you can see:

	Casket Wholesale	Difference in cost from Company C
Casket Company "A"	\$1,740 (veneer oak)	\$640 higher than C
Casket Company "B"	\$1,975 (veneer oak)	\$875 higher than C
Casket Company "C"	\$1100 (solid oak)	The difference is solid!

Getting to the Chapel on time

An important factor relating to caskets is the service, the delivery of a casket when needed. As you might expect, the US casket corporations have extensive logistics and of course, funeral home owners pay a premium. But there's another option, which is the local distributor, whose brands of caskets in many cases offer a better selection as well as lower cost to the funeral home. The distributor, like the local funeral home, is often a family-owned business and can relate to the needs of the funeral home operator at the street-level. Most local casket distributors are reliable, flexible with their service, providing on-time service and a wide variety of available caskets. What the funeral home gives up in terms of fancy bells and whistles (software, website help, etc.) offered by Companies A and B is made up for in personal service, speed of delivery and relationships. However, it's still up to the funeral home to know what brands are offered by the distributor; after all, not all import brands are alike!

Other Important Considerations

When considering new choices of casket manufacturers and providers, choosing price and quality are at the top of the list. However, as a business owner, other factors become important. The confidence of the casket manufacturer/provider providing liability insurance, in other words, standing behind its product, makes such decisions easier. Another point of contemplation is the issue of patent infringement; the knowledge that your casket provider is following regulations and laws with properly registered products removes any doubt of impropriety. Choosing a well-established foreign casket manufacturer with an impeccable reputation and reliable references negates any of the ancillary consideration points.

From the funeral consumer's perspective, the casket's origin is no more relevant than the origin of their smartphone or television or car. The consumer does not discern or for the most part even care about the country of origin; quality, price, and service are foremost in their buying decisions. Funeral homes have always delivered superior service to families that have lost a loved one by providing for their needs at a very difficult time. Offering quality products at reasonable prices enhance the service experience because consumers benefit from the value. Price should not be a barrier to achieving a family's satisfaction or honoring their loved one in the way they'd most like.

The world has come to the hometown main street funeral home. From the way in which we communicate with families using the internet and smartphones, to the vehicles we rely on to safely transport families and the deceased, everything is now globally intertwined. And that includes, importantly, the caskets funeral directors offer the families they compassionately serve. Just like all the other components used at funeral homes, caskets are now part of our increasingly internationally infused business. Choosing your casket supplier wisely, the quality is high, the prices are low, and the liabilities are non-existent. Yes, it's time to rethink your caskets.

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