

Cooperative Funeral Fund Inc.

Preneed Roundtable

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Roundtable

By Steve Cronin

Preneed Roundtable



Tyler Anderson



Jessica Grann



Dan Lodermeier



Todd D. Mannix

Preneed remains an important option for funeral professionals and the families they serve. To find out what is the current state of the preneed market, what customers want and where preneed sales are heading in the future, we reached out to Tyler Anderson, vice president of business development at Precoa; Jessica Grann, director of corporate communications for National Guardian Life Insurance Co., who spoke to field reps and company officials for their thoughts; Dan Lodermeier, vice president-field sales, Homesteaders Life Co.; and Todd D. Mannix, vice president of sales and marketing at Cooperative Funeral Fund.

It seems most people appreciate the value of a preneed policy, but it's a subject they are sometimes reluctant to take action on. What have you found to be the most effective way to market your preneed program?

Anderson: We have found that there is no singular way to effectively market a preneed program. A successful preneed marketing strategy is multifaceted. Traditional strategies such as direct marketing, offsite seminars and aftercare continue to play a significant role in any successful program. However, we find that we are spending more and more time meeting today's consumer in the digital space through email automation, Facebook, and by

creating engaging digital experiences that educate the consumer about the value of a funeral.

Grann: While many at National Guardian Life found seminars, aftercare, direct mail, Facebook, television and print advertising to be effective in marketing preneed, the recurring theme was to make a connection with their families. Taking the time to truly listen to families will help you understand their goals and fears. Understanding their thought process will help you educate them on the benefits of preneed and prearranging. The next step after families have the information is to follow up and answer any questions that develop as they review and finalize their plans.

Lodermeier: Recent consumer studies

by the Funeral Memorial Information Council, Homesteaders and others all show that once consumers learn about advance funeral planning, they believe it is a good thing to do. But I don't think it's reluctance that prevents a person from taking action. It's just one of those things people wait to do until something triggers the need. Our policy owner studies reveal that people often plan a couple of years after first considering prearranging, so it is very important to communicate on an ongoing basis the availability and benefits of prearranging. The top three things our policy owners say motivated them to prearrange are 'family member/friend died recently,' 'finally knew arrangements wanted' and 'finally had the money to do it.'

Number four is ‘spouse wanted to prearrange.’ The most effective way to market preneed is a multipoint strategy: Make it a primary feature on your website, engage people in discussions around advance funeral planning on social media and make certain that you provide excellent experiences that compel families to actively promote your funeral home to people in their spheres of influence. From a tactical standpoint, one of our top-producing funeral homes reports a preneed to attend ratio of 80 percent, and aftercare is its number one lead-generation program. That’s something I’d pay attention to.

Mannix: It is important to know that it isn’t a single consumer group. Three of the most prominent groups (but not an exhaustive list) are: (1) those going on social assistance, (2) those who are putting their affairs in order to prepare for the inevitable, and (3) those looking to make it easy on their loved ones when the time comes.

Each of these have very different motivations and thus require a different message to reach them. The first group pertains to those going on social assistance. In most states, a funeral is an allowable use of funds that will not be considered in the five-year look back for social assistance consideration. As such, many people are referred by state social workers or financial planners. The value in these instances is that the beneficiary gets to use the money they earned through their lifetime to create a fitting and suitable funeral for their loved ones to say goodbye.

The second group of people who prepay are those who have either had a recent diagnosis or suffered a personal loss of someone close to them. For these people, it is an opportunity to put things in order before, God forbid, something happens to them. The motivation for these folks is preparation and ‘being ready.’

The third group is the planners. These people like to have a bow on every box and a checkmark in every box. They are usually retired and have family, and they want to make sure

their family doesn’t need to do anything when the day comes. This group is motivated by the feeling of making it easy for loved ones left behind.

How big a factor is the guarantee of locking in prices in convincing people to invest in a preneed policy?

Anderson: The guarantee is certainly a motivator for the consumer to invest in a preneed policy and is a critical part of any preneed program. We have found that funeral home preneed programs that offer a guarantee outperform those that don’t. That said, the guarantee is not the sole reason a program succeeds or fails. A comprehensive preneed program provides value to the consumer beyond the guarantee through the experience provided. Today’s consumer is rapidly changing and constantly raising their service expectations. Therefore, a strong focus on providing exemplary service and education on the value of ceremony should be at the forefront of a preneed program.

Grann: A vast majority of our partners believe that the guarantee of locking in prices during the preplanning process is a major factor for families who are preplanning a funeral. It aids in reducing the consumer’s insecurity in the preplanning process and in some cases it helps to overcome objections. In addition, partners said that sharing a personal story of how they have witnessed the benefits of locking in prices helps if someone is on the fence.

While most of our contributors felt it is an added bonus, others felt very strongly that it was very much needed and a key to their preneed success.

One aspect that everyone agreed on and felt was a number-one priority from the consumer’s perspective is how preplanning is a gift that will save the family stress and emotional grief when the time comes. It also gives the consumer a peace of mind knowing their important wishes are determined in advance.

Lodermeier: What we have to under-

stand is whether the guarantee is a motivator to prearrange or if it helps close the sale. Some of the focus group work we’ve done reveals that consumers are aware they can lock in the price when planning in advance. In markets where the guarantee is not prevalent or not offered, people still prearrange because it protects their survivors from the emotional burden of decision making at a very difficult time. Our policy owners say this is the top reason why they prearrange. For many funeral homes and consumers, the price guarantee is a primary benefit to prearranging. Eighty-five percent of our policy owners say ‘locking in prices’ was an important reason in their decision to prearrange. That’s the fourth-highest scoring reason after ‘eliminating emotional burden,’ ‘eliminating financial burden’ and ‘fulfilling a responsibility.’ There are states where the guarantee is required. In some states, such as Minnesota, the guarantee is not prevalent and yet many consumers prearrange. A funeral home’s preneed value proposition is different depending on the market in which it competes. At Homesteaders, we make sure we are able to serve all firms, regardless if the guarantee is or is not part of their model.

Mannix: In our experience in discussing this with our clients, the guarantee is not a deciding factor that brings people in the door. As mentioned above, there are many reasons that get people to start to think about prepaying for their funeral. A guarantee may be a small subcategory of a couple of those groups, but the big challenge is getting people to think about preplanning in the first place.

Outside this industry, death or preplanning their funeral is not something most people talk about in their daily lives. In fact, many people look to the funeral director to walk them through the process and all the details and options when they come into the funeral home. So many do not know about investment options or guarantee versus nonguarantee until

these options are explained to them by the funeral director. In fact, many funeral directors do not offer guarantees these days as the interest rates have been so low, and there is risk of the investment return not keeping up with the cost of the funeral. In economic situations such as the one we are currently experiencing, a funeral director will offer a guarantee if their consumers are demanding it or if the competition down the street is offering guarantees.

If there is a common misperception among the public about preneed, what is it? And what are you doing to combat it?

Anderson: We have not found a common misperception, but we have found a common theme in the public's lack of understanding relative to funeral service options, advance planning options and their multiple options to fund a funeral in advance. There is a definite need for education around these topics, and the best way to earn the opportunity to provide that education to the highest number of people in your community is through a comprehensive preneed marketing strategy.

Grann: Even though preneed has been around for a while, lack of education by the customer is still the biggest challenge in how preneed differs from other insurance products. Helping families understand the process and explaining how this type of insurance is used is something that funeral homes continue to work on. Many funeral directors find that explaining the portability of the policy is a benefit to helping families understand preneed.

Another common challenge surrounding the preneed industry is the topic of death in general. While it can be an uncomfortable topic, the more it is discussed, the more comfortable people will become. Planning ahead doesn't mean that someone will die tomorrow; it is merely being prepared, similar to planning for school, a home, weddings or retirement. End-of-life planning is another step in life's journey.

Lodermeier: I think there are two common misperceptions. The first is that buying cemetery property is 'taking care of my funeral.' Another common misperception is really a general lack of awareness that you have to pay for the entire funeral when you plan in advance. As I mentioned before, the third most prevalent motivator for prearranging is, 'finally had the money to do it.' There are countless unfunded arrangements in funeral home files across North America. Some people do communicate what they want to funeral professionals. Following up on these is essential to ensure families remember they are on file and to see if the household situation has changed in some way that funding is an option. When a firm actively offers and promotes advance funeral planning, it's an opportunity to explain all of the benefits, including the existence of payment plans to meet any family's need.

Mannix: I'm not so sure there is a misperception of preneed (although every time the press reports on a single funeral provider that mishandled funds, it creates concern among consumers), so much as there is a misconception surrounding the need for the funeral.

This in turn impacts preneed because the consumer first needs to understand the value of the funeral to create the opportunity for a preneed sale. The consumer mindset is changing. As younger generations become the decision makers and consumers for the funeral industry, the buying habits they have had for everything else in an 'Amazon-like' manner flows over to consumption of funeral services as well. In the same way that Uber and Lyft impacted the taxi cab industry, consumers are looking for different ways to consume funeral services. The problem is, there is a large difference in buying something online or getting from point A to point B, then saying goodbye to a loved one.

This is compounded by the misconception that cremation can be

substituted for a funeral. Final disposition and a service to provide comfort and closure are two different things. From what we see and hear, this is the big misconception that needs to be addressed in order to bring the focus back to the celebration of life as a chance for people to say goodbye. This will help add more preneed dollars to a funeral home's books.

In your experience, what is the biggest hindrance funeral directors face in creating and maintaining a successful preneed program? How do they overcome that?

Anderson: We have found the biggest challenge funeral home owners face in creating and maintaining a successful preneed program is simply time. Owners are pulled in multiple directions daily. The at-need side of funeral service demands a significant portion of their time, thought and resources. This can be overcome by partnering with a company that specializes in managing preneed programs. They can provide the training, onsite management, marketing tools and reporting capabilities that allow an owner to focus their attention on serving families today, knowing their preneed program is running at a high level.

Grann: Like with most things, there are good intentions to create and maintain a successful preneed program. But then, life happens, and it can be a challenge to find time or dedicate resources to keep projects moving forward. And when that happens, a preneed program is inevitably moved to the back burner.

A dedicated, passionate preneed professional is needed to help families understand the difference between preneed and other life insurance. In addition, this dedicated professional needs to create awareness about and market the benefits of preneed. Lack of knowing that preneed is available is a big factor, and having a dedicated person talk about it consistently is what it will take for the funeral home to be successful.

Lodermeier: I'll take this as two

separate questions – the challenge of creating and then maintaining a successful preneed program. One of the challenges of creating a successful preneed program is getting out of the starting blocks once the decision has been made to do it. There are a lot of things to consider, such as, ‘Do I hire a counselor or manager or do I outsource the program to a specialized preneed marketing organization?’ This alone can be a pretty difficult decision, and sometimes the daily whirlwind servicing at-need gets in the way of researching and being comfortable with making a decision.

If you decide to keep preneed an in-house endeavor, it is so important to identify the right person whose full-time job it is to actively reach out to consumers, do seminars, manage leads, meet with families and so on. Once a program is started, the challenge of maintaining it often comes down to building a culture in the firm where everyone supports the program – that an at-need arrangement is just as valuable and important as a prearranged funeral. It is critical that everyone in the organization communicates and supports one another. Finding, training and retaining good talent are also very important to maintaining an active and effective program. When a firm loses a good prearrangement professional, it can impede momentum. In smaller firms, losing a preneed salesperson can make it very challenging to maintain forward progress if there is no other staff that can fill in until a dedicated replacement is hired.

Mannix: The hindrance is the changing consumer mindset that may be impacting the preneed program. There will still be the main categories of consumers mentioned above that, for the most part, will continue to prepay their funerals (those going on social assistance, those putting their affairs in order to prepare for an upcoming event and those who want to help those they will leave behind), so in the short term, the change may be negligible.

However, we have spoken to many funeral directors who are telling us

the consumer mindset is changing, impacting at-need business. Reaching consumers about fitting and fresh ways to say goodbye to a loved one may help younger consumers to understand not only the importance, but the need of a funeral service and the funeral director in the process.

Funeral directors should be seen as expert advisers, not unlike the faith people put into financial planners for managing their assets. A funeral director should be seen as a shepherd through a difficult time. Funeral directors are experienced friends that help so many people to move on from a death of a loved one. In general, it’s a humble crowd, and it would be seen as inappropriate to trumpet or brag about many of the extra things and small touches a funeral director adds to the funeral process to help a family feel comfort. Nevertheless, the process of saying goodbye, creating an event as a demarcation point in time for the mind to move on from and to have a lasting memory of the outpouring of love and support of family, friends and community is essential to combat the sorrow of loss.

Reaching younger consumers and stressing the trusted adviser role may be a way to bring the importance back to the mindset of future generations as consumption habits change.

Where is change in the preneed sector coming from in the next few years? How are you preparing for it?

Anderson: Like most industries, change is coming from the consumer. Today’s consumer is asking for a premium experience in each interaction and frequently changes the medium in which they prefer to be communicated with. At Precoa, we are constantly reinvesting in consumer research, to ensure we understand what matters to the consumer, and innovative technology, to ensure we have the capability to reach them where they are.

Grann: As you can imagine, there were many responses surrounding technology through the use of social media and creating integrated

marketing programs. Utilizing an effective integrated marketing system that includes social media, website, direct mail and face-to-face interactions to help educate the consumer will become even more important.

Another change that will impact the preneed industry is the increase of direct cremation. There will be smaller face amounts on policies due to cremation and families who choose to provide their own celebration of life. Funeral providers will need to highlight how their services will be a gift that will help to reduce the stress on families during an emotional time.

Lodermeier: Where do I begin? The short answer is that change itself is going to affect the preneed sector and the whole of funeral service. Categorically speaking, we’re keeping an eye on funeral home rooftop count, boomer preferences as they age into our target service group, growth in the Hispanic population across America, the continuing rise in preference for cremation and its impact on sales revenues per case, how and where to reach consumers in terms of media; regulation and the aging population of funeral professionals combined with a very limited labor pool. Each of these, and all of these, will affect ‘business as usual’ for Homesteaders and our funeral home customers. We are preparing for it through ongoing market research and being as innovative and nimble as we can.

Mannix: The major changes that are coming upon the funeral industry are the changing consumer perceptions as discussed above. Finding a way to re-establish the funeral director’s very important role in the community is essential as the younger generation with its unique consumption habits become consumers of funeral services. Funeral directors can be both proactive and reactive to these changes as their business is impacted. Knowing these changes and our current economic times, funeral directors should take every opportunity to change the restrictive laws that overregulate them and prevent them from doing a good business in the name of consumer protection. •