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Change and the Mindset of the Death-Care Consumer

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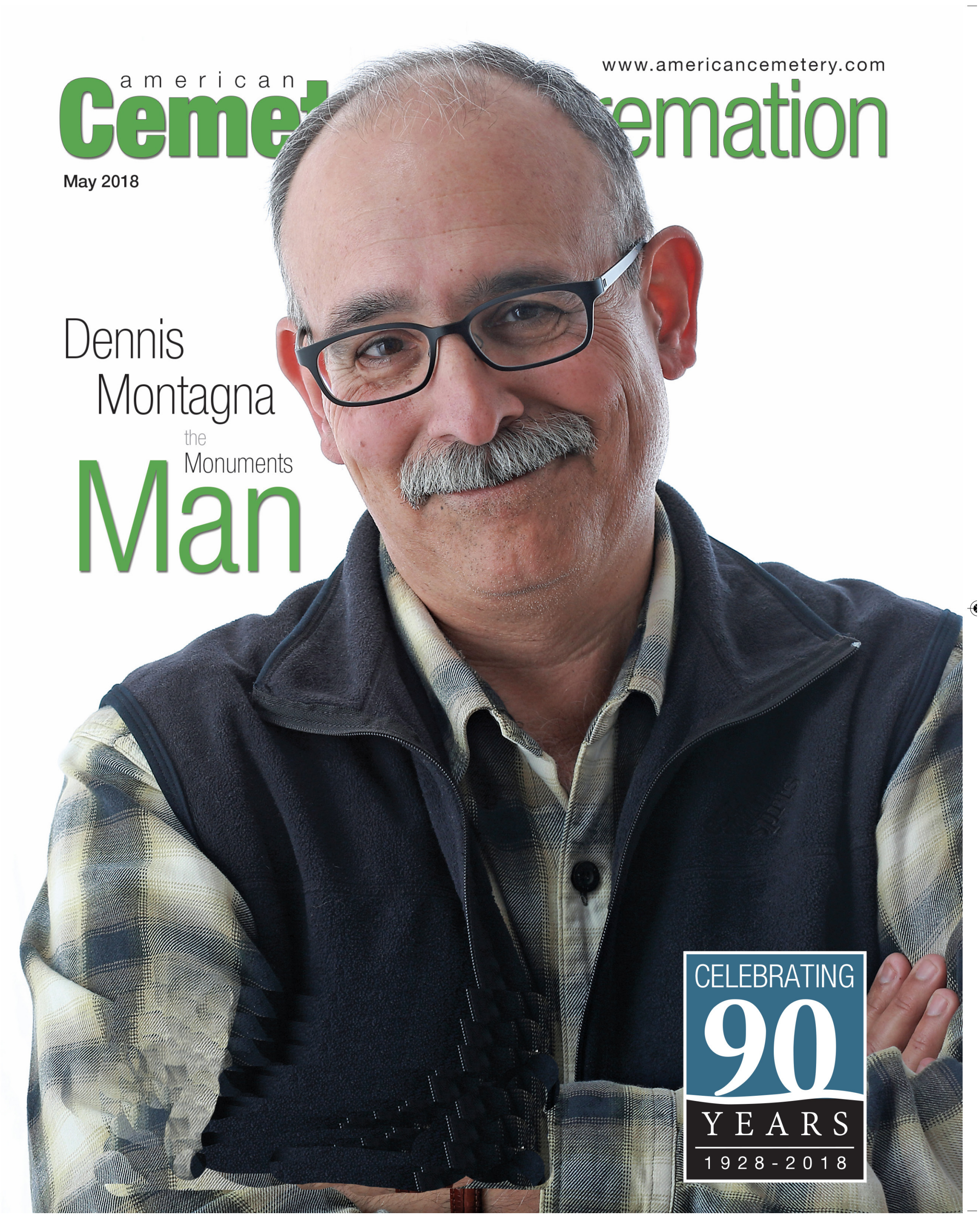

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Business

By Todd D. Mannix

Change
and the Mindset of the Death-Care Consumer

There has been a lot of media coverage about the spending habits and consumption trends of millennials and for good reason. Many companies are spending a lot of time and energy trying to recapture consumer dollars from traditional business models that have been disrupted by this generation and the enabling technology available to them.

The funeral industry is no different in this regard. But a few considerations indicate that perhaps the impact will be uniquely different for the death-care business.

Most of the changing consumer habits being chased today are due to a new consumer mindset enabled by huge advances in technology. Those advances, coupled with bandwidth and portability, have opened the doors for services like Apple TV, Roku, Netflix, Hulu, Uber, Lyft, Turo, Silvercar, VRBO and HomeAway to compete against (and in a few cases blow up) established business models and revenue streams.

In the early 2000s, the music industry was caught flat-footed by the invention of Napster, which allowed anyone with an internet connection to share a digital music file on a searchable and downloadable music platform, providing the user a remarkably extensive music catalog at their fingertips. While it seems commonplace today to think of listening to a particular song whenever you want to hear it, before digital file sharing services, one would have to buy the media to have that kind of "at your fingertips" experience.

Does anyone remember the Columbia Record Club, where you would pay a monthly subscription to get the latest music they thought you wanted – (or more likely artists they were pushing) sent to your door every month? When Napster threatened the revenues of the music industry, Apple iTunes came in with an already-built purchasing platform and offered music companies a way to sell and stream content on a legal platform. You can thank Apple for the original 99 cents per song because it wanted traffic to its platform. It also had the music industry over a barrel, because there was no other legal platform ready for consumer consumption on that scale to combat the illegal file sharing platforms like Napster.

The music industry hated this idea because it saw its profits eroding before its eyes, but 99 cents was better than having the content "stolen" (shared at no cost). This was the first major shift in consumer habits of this era. Established industries and forward-thinking technology innovators have been working ever since to adapt to the changing environment. Apple TV, Hulu and Roku challenged the major television and movie studios' controlled distribution chain. After they saw what happened to their sister music business, online streaming platforms were created as the bandwidth for larger video files was being developed. The days of a movie being released in the theater and having the studio control the revenue windows, including theatrical, pay per view, airlines, rental, DVD/videotape (remember the battle over VHS versus Betamax or Blue Ray versus HD DVD?), and network broadcast (to name a few) were changed forever.

A decade later, Uber and Lyft challenged the markets previously controlled almost entirely by taxi companies. Almost immediately, consumers could find their own rides enhanced by technology, so riders could know who their driver was, what kind of car they were driving, exactly where the car was, how long it would take for the driver to arrive, and with no cash exchanged. Taxi companies and cab drivers, who in some cases paid a lot of money for official medallions to give them the ability to work as an official taxi service, lobbied against the change and tried to make it difficult for consumers in places like airports where they have traditionally had lasting B2B relationships. In the end, they found battling against consumer convenience was not the best business strategy.

Similarly, companies like Silvercar (luxury fleet of same make and model silver Audi for the cost of a mid-full size rental car) and Turo (like Uber and Lyft, but you are essentially renting someone else's privately-owned car and driving it yourself) have taken the rental car market head on. No more spending hours in long lines at rental car company counters after a long flight to get in an unspecified rental car just to get to the hotel and try and get some sleep before the big meeting. With these services, it's all done via the internet or an app on a smartphone. You are picked up (many times in the car you will be renting) by friendly, service-oriented staff, and you are on your way in minutes. Plus, you know what car (and have seen pictures of it) before you get there, so your expectations are never crushed at 1 a.m. when you walk through the rental car parking lot to find you have to drive up to the big meeting in a white PT Cruiser or a cherry red minivan! (No offense to anyone who owns one of these beauties – there is a time and place for everything).

Lastly, the days of travel agents (remember them?) having the inside knowledge on rates on flights and hotels are long gone. Travel agents still serve a purpose for specialty vacation planning, but for the average consumer, online searching through companies like Travelocity, Expedia, Priceline, Hotels.com and Trivago, have exposed comparative pricing to the general public, introducing variety and cost options to the consumer. Companies like VRBO, or HomeAway have created the home-sharing model that Uber and Lyft created for the ride-sharing industry by exposing an online marketplace for lodging of, in most cases, privately owned homes and rental properties – thereby creating more competition for traditional hotels.

Couple all these service changes with the product availability, exchange and customization available through Amazon, eBay, Etsy and Offer-Up, and it creates a very different dynamic of exposure for how new consumers are growing up as well as changing their perceptions of products and services over their lifetimes.

Does the death-care industry need to pay very close attention to the changing consumer mindset and demands on value and convenience for their money? Absolutely.

That being said, there are some distinctions between the death-care industry and these other products and services that consumers will be purchasing throughout their lifetime. These differences should allow those in the death-care industry to breathe a short sigh of relief. Don't get me wrong, these changes are real and game changing, but the impact should not be as immediate and disruptive as the impact Napster had on the music industry or Uber had on the taxi industry. Rather, the change is coming, but the death-care industry, in terms of cemeteries and funeral homes, will have time to adapt to an evolving change over time because of one interesting consumer commonality – age.

One of the most important points that is overlooked in a lot of the articles I have read regarding the changing consumer and our industry is the age factor. In the examples above, the drive behind building acceptance has been with consumers who are in earlier stages of consumption. The mindset is quite different when they become consumers of the death-care industry. In general, younger people are not only more accepting of advances in technology, but also are less likely to be loyal to an established process for doing things. This dynamic often changes as consumers' age.

There are many studies that show as people get older, they tend to introduce more stability and structure to their lives. They are more likely to accept an established market than question it. In other words, the older they get, the more consumers look for value in the existing products and process instead of finding new ways to do it. This should play well for the death-care industry given the average age of consumers the $20 billion industry serves. There are psychological studies generation after generation showing the liberal 20-to-30 somethings of today become the 50- to 60-something conservatives of tomorrow. Please note, the terms "liberal" and "conservative" here are in terms of an aging mindset of natural psychological patterns, and not the stark contrast our political system has created around the terminology. So, it does not mean that someone will change a political party, but it does highlight that people care very differently about things the older they get.

I had to laugh recently when visiting my grandkids and found them listening to "Young, Dumb, and Broke" by Khalid. The song title really solidified what I had been reading about why our psyche changes over time. The three terms in the song title call out the mindset of a younger consumer. When consumers are "young," the world is in front of them. Life is about experiences and opportunities. This point is exemplified by the tone and message of this song, which is not lamenting about being young, dumb and broke, but rather just simply stating this is where we are right now. If someone in their 60s or 70s wrote a similar song, it might be titled, "Old, Set in My Ways, and On a Fixed Income." Only, instead of a message of opportunity of what's ahead and acceptance, it might very well be about the fact they can't do things they used to and reflections looking back at the life that was lived.

Our customers have a myriad of life experiences. They are seasoned, having an understanding about all that life has thrown at them, and they generally have more cautious or realistic expectations of life experiences. They have learned that life is not always that picture on Facebook or Instagram showing how great of a time they seem to be having on vacation. This is not to imply a negative connotation, only one seasoned by the experiences and life lessons that come with age.

Lastly, many consumers in the death-care industry are not "broke," especially if they are preplanning (excluding those who are paying down their assets and need to be "broke" to file for assistance). Even if they have little money, there is money in their bank account that has allowed them to plan for the inevitable. This speaks again to the physiological desire for stability and structure with advanced years.

Is the consumer changing? Yes. Does the death-care industry need to pay very close attention to the changing consumer mindset and demands on value and convenience for their money? Absolutely. Is it going to change drastically overnight and threaten our next month's revenues? Not likely. The age and mindset of the death-care industry's consumer market is probably the largest resistor that will give the industry a way to methodically adapt to the changing dynamics of the consumer. Cemeteries, funeral homes and all the vendors that support the death-care industry will need to be more like the video streaming platforms mentioned above. We know the change is coming, and it will no doubt change the way we do business, but the industry will have time to adapt as opposed to losing the business model overnight. •