

2020 Funeral Business Planning Survey

An independent look at the current state of succession planning and the impact of COVID-19 on funeral service professionals

NFDA

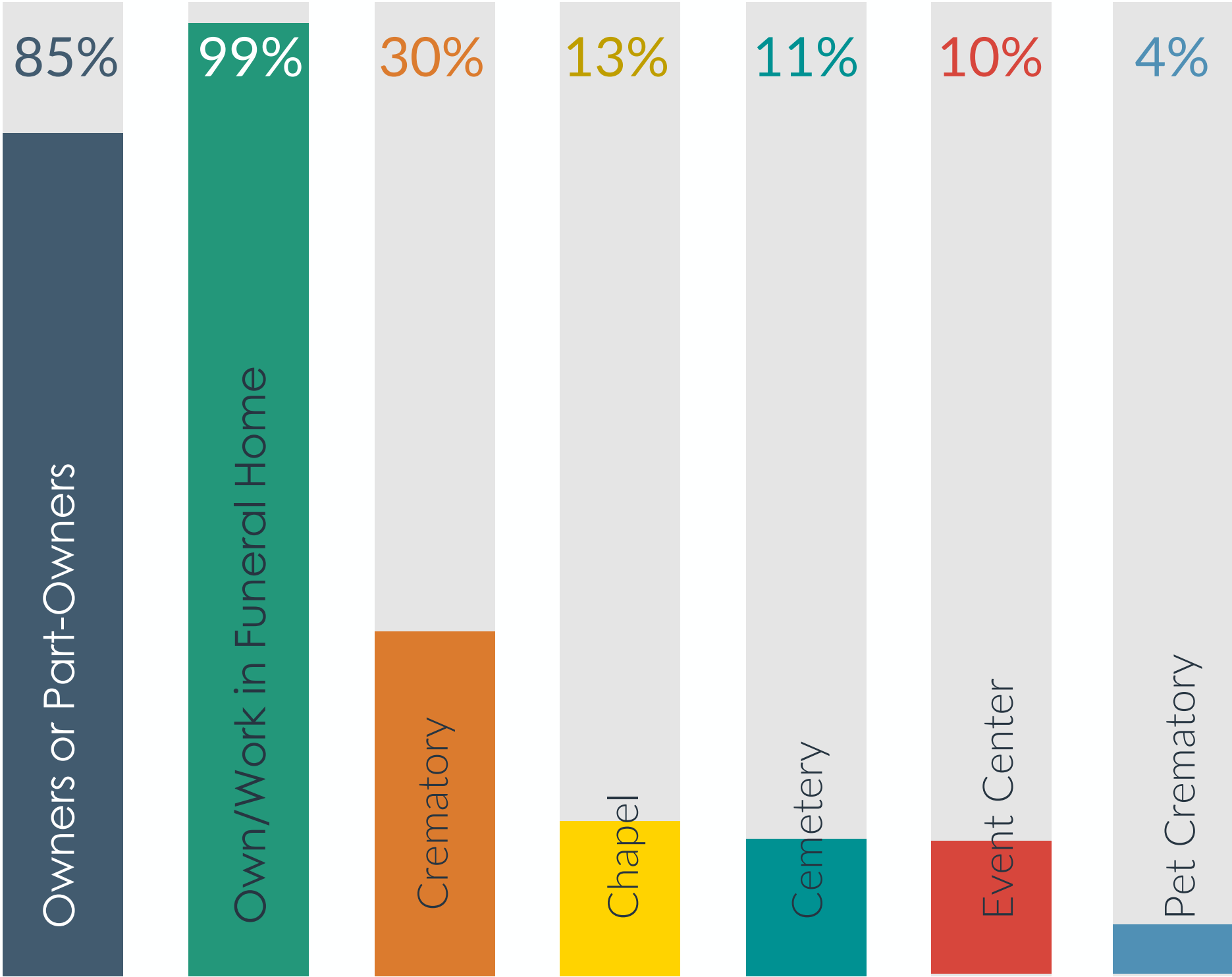
NATIONAL
FUNERAL
DIRECTORS
ASSOCIATION



About The Survey

An online survey designed to determine the current state of succession planning in the funeral service industry was distributed to 3,400 funeral service professionals in August 2020. Viviani Associates, a neutral third-party firm, partnered with the National Funeral Directors Association (NFDA) to conduct the research. The study realized an 11.4 percent response rate, representing the views of 387 funeral business owners and service professionals throughout the United States. The response rate places the survey confidence level at 95 percent with a +/-5 percent margin of error.

Participant Snapshot



The majority of survey respondents (85.3%) are owners or part-owners of a funeral service business. Nearly all respondents (98.7%) own/work in funeral homes - 30 percent operate crematories, 13 percent own chapels, 11 percent own cemeteries, 10 percent have event centers and four percent operate pet crematories.



75% of respondents describe their business as independent and/or family-owned
40% of those are multi-generational



33% of respondents have multiple locations
49% of those have two locations
23% operate three locations
13% have more than five locations

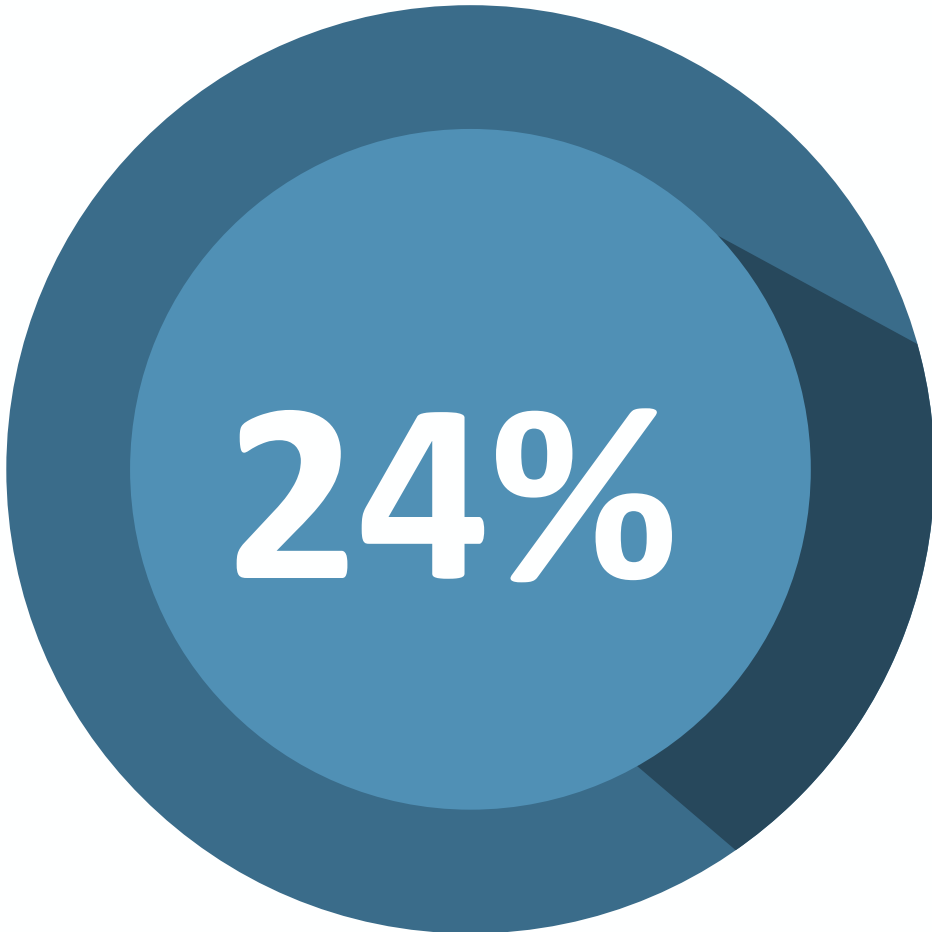


73% of respondents indicated they and/or family have owned or worked in their current business for more than 25 years

Participant Snapshot: Call Volume

33%

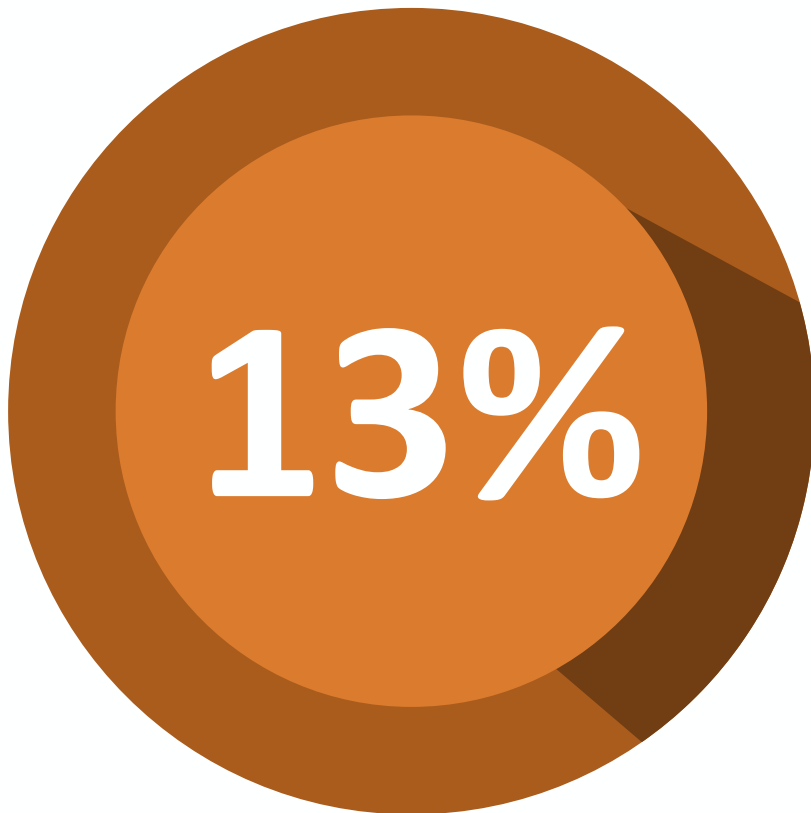
One out of three respondents said their funeral home/ crematory handles 101 to 200 calls per year, which places them in line with the average for all NFDA members



Less than 100 calls/year



201-300 calls/year



301-500 calls/year



501-800 calls/year



More than 800 calls/year

Participant Snapshot: Diversity



The demand for diverse funeral services is influenced by local demographics, cultural and religious traditions.

Approximately half of the business owners questioned said they specialize in serving the needs of specific faith or ethnic communities.

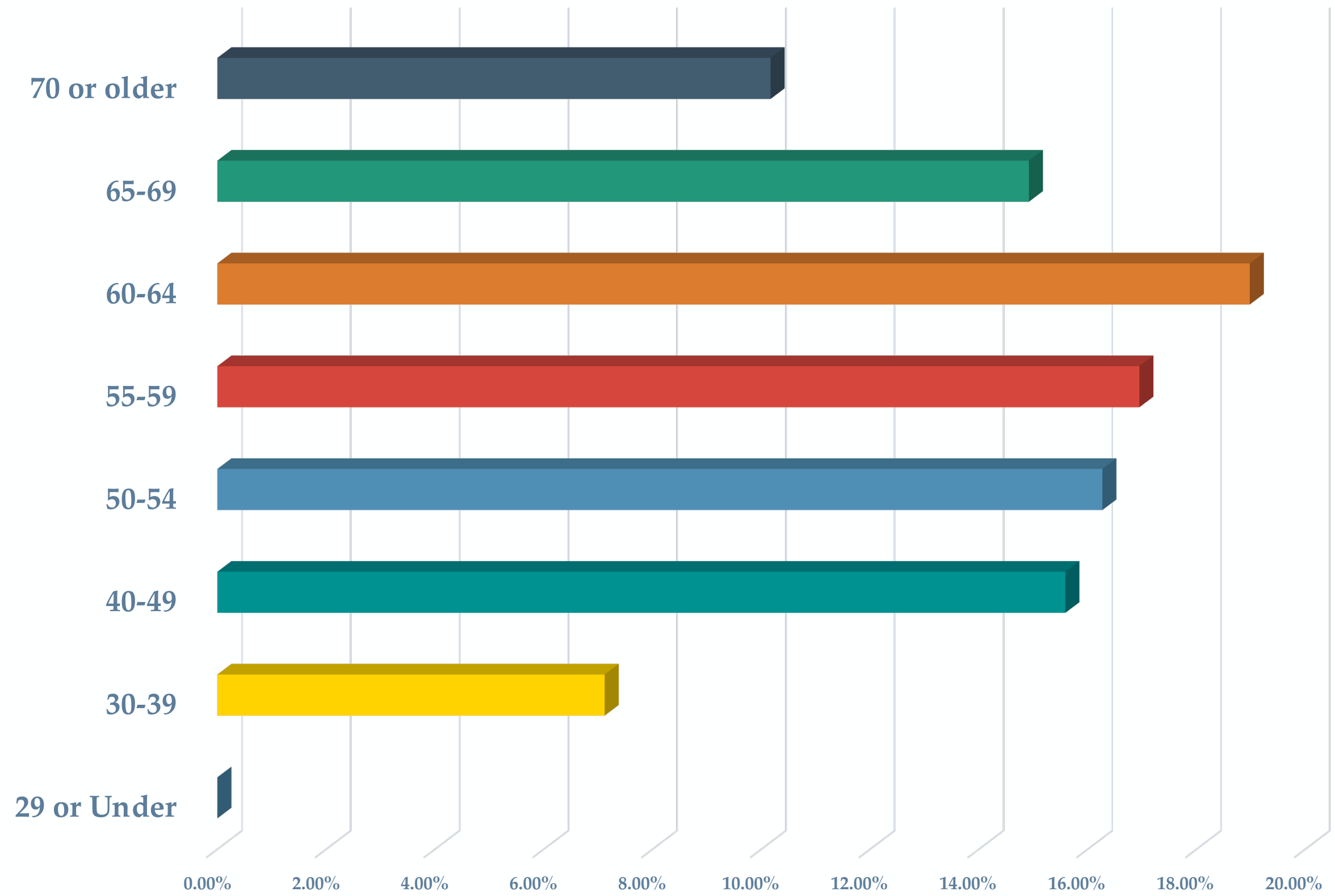
Catholics were the group mentioned most frequently followed by Hispanics, African American and Jewish communities. Muslim, Hindu, Buddhist, Amish and Mennonite religions were also cited, as well as Native American and Asian populations.




“Economies of scale are the key to the future.”

– Funeral Director, Ohio

Funeral Business Owners are Getting Older



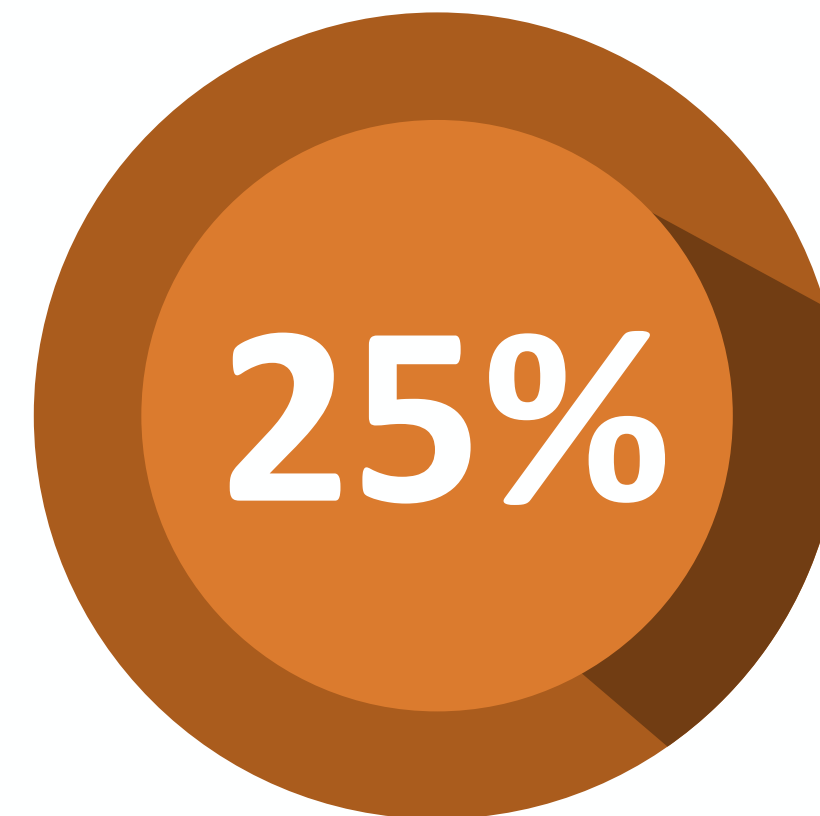
A hand is shown holding a key with a house-shaped keychain. The background is a blurred indoor setting. The text is overlaid on the image in a white, serif font.

“ The fact that the average age of a funeral home owner in the United States is now 55, means a large number of the country’s more than 17,000 independent and family-owned funeral homes will be bought, sold or passed on to the next generation in the next 7 to 10 years. ”

– Kent Robertson, President & COO,
Foundation Partners Group



Retire within
5 years



Retire within
2 years

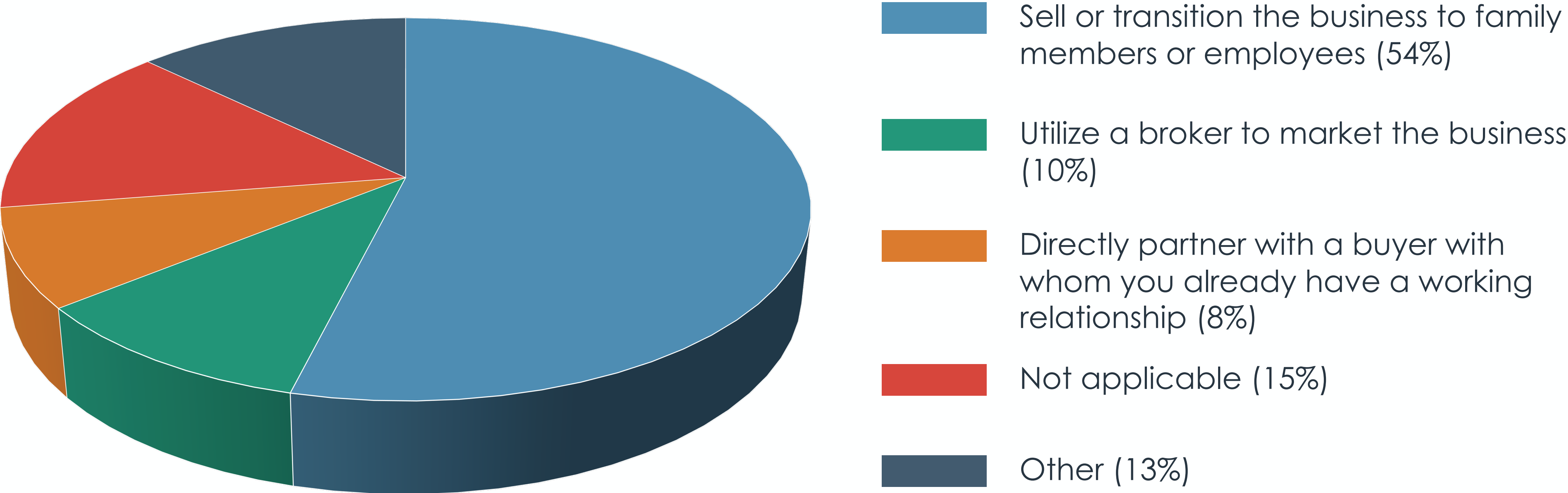
Respondents 55 & Older

A significant number of funeral business owners plan to retire in the near future.

Slightly more than one-third (34%) of all respondents plan to retire within the next five years. Six percent of those say they will retire or exit the business in the next 12 months with one stating that he is currently “training my replacement.”

Plans shared by respondents age 55 and older, indicate that more than half (56%) will retire or exit their business within five years, with 1 in 4 planning to retire within two years.

More Than Half of Respondents Plan to Sell Business to Family Members or Employees



Write-in comments in response to “When” and “How” do you plan to retire or exit the business, reveal that many owners’ retirement plans will be impacted by the capabilities of their employees and/or family members.



“Either sell to key employees or use broker depending if the key employee evolves to ownership capability.”



“When children are ready to take over.”



“Give the business to my kids.”

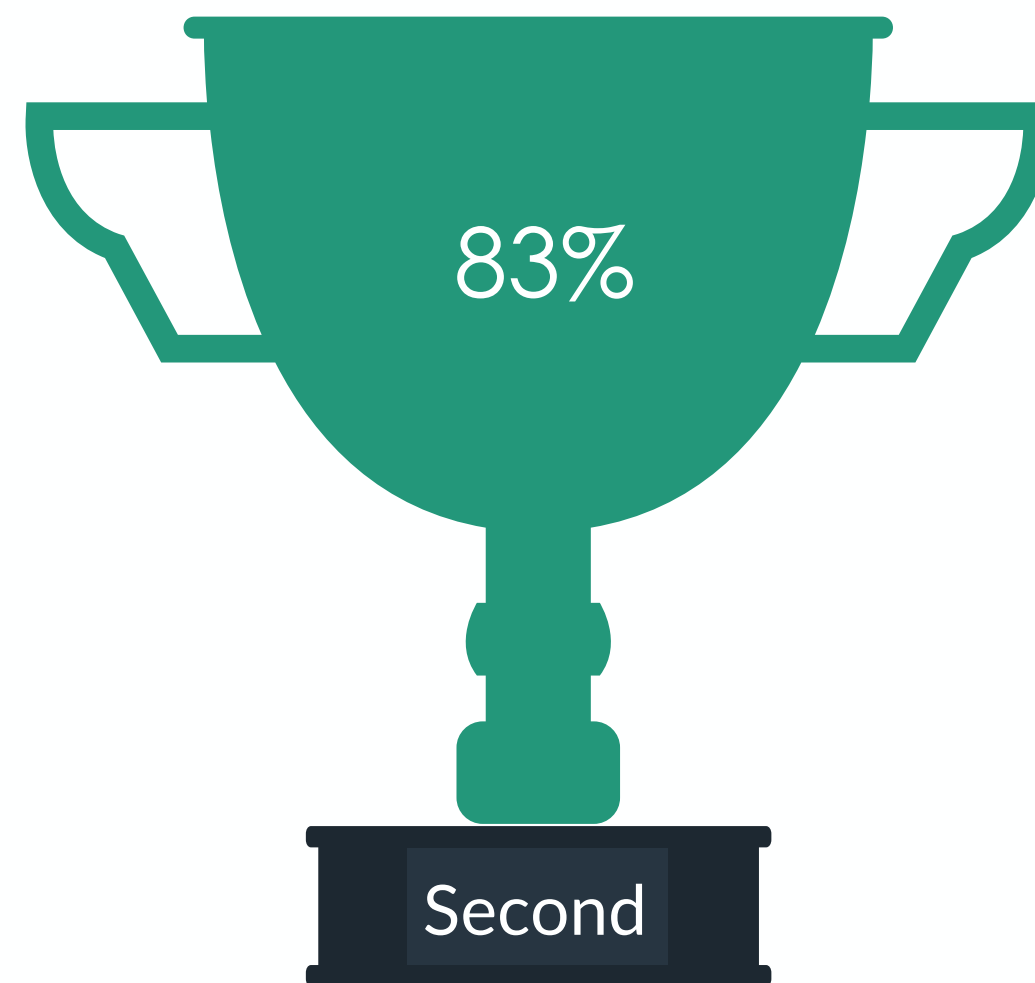


“Consider options – first look at family or employees, but also consider nearby funeral homes to offer as well.”

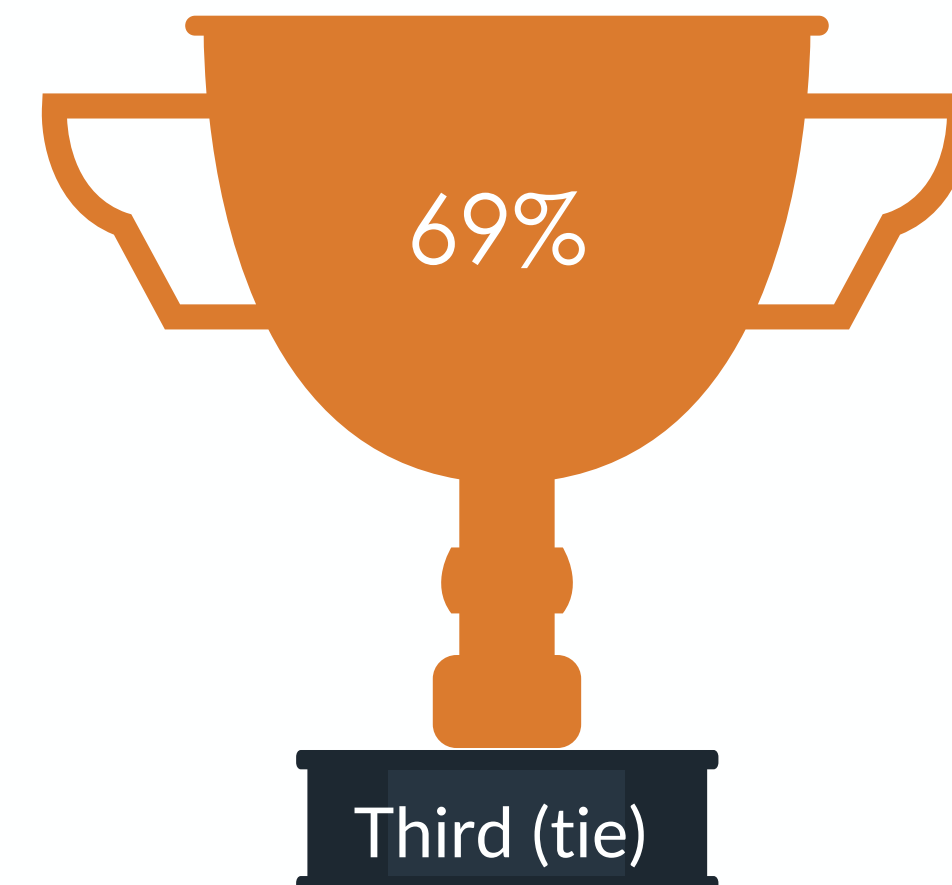
Maintaining High Quality Service Trumps Financial Reward Among Retirement Goals



Maintain high-quality service to the community



Secure a financially stable retirement



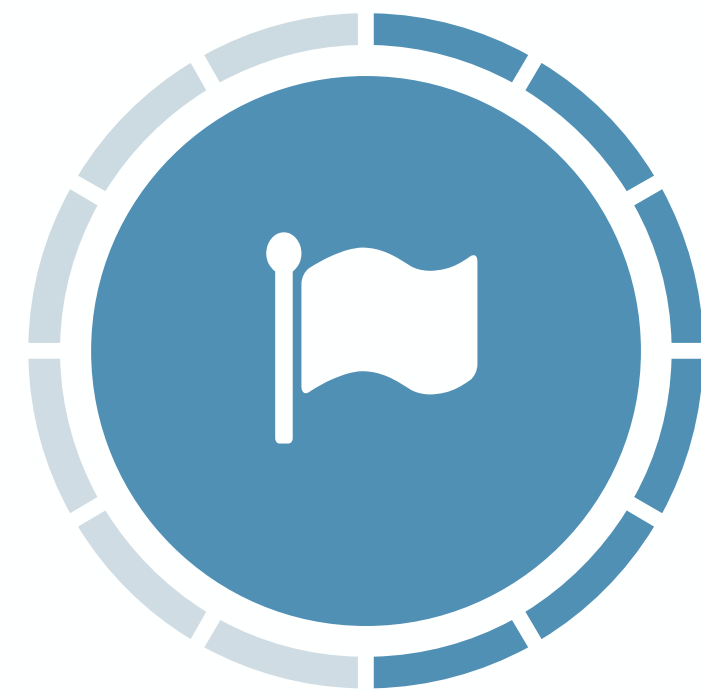
- Preserve a family legacy of community service
- Grow and develop the business

Nearly three quarters of all respondents (73%) do not have an exit strategy or succession plan.

One-quarter (24.5%) say they are in the process of developing a plan and 17% are planning to develop one in the near future.

The remaining respondents (27%) say that they do have an exit or succession plan; however, only 22 percent of those funeral professionals indicated that those plans are formal and in writing.

Respondents who plan to retire in 6-12 months:



Half still developing plan

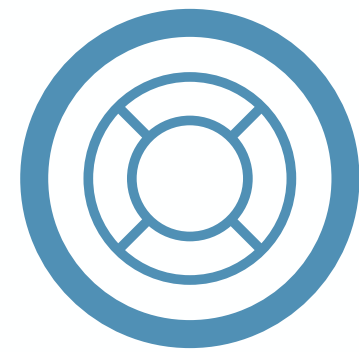


One third have a plan in place

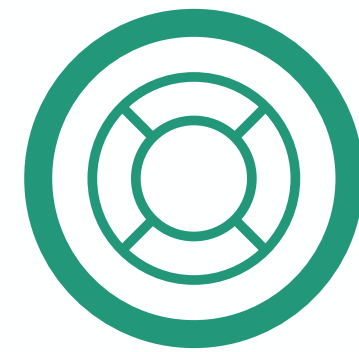


Nearly 10% have no plan at all

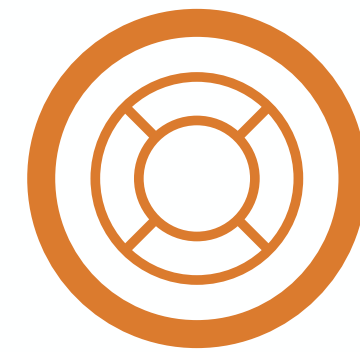
What's Your Plan?



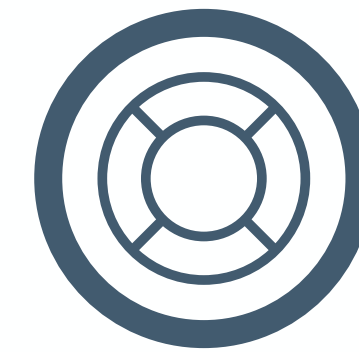
“Ride off into the sunset, drink in hand.”
– Iowa



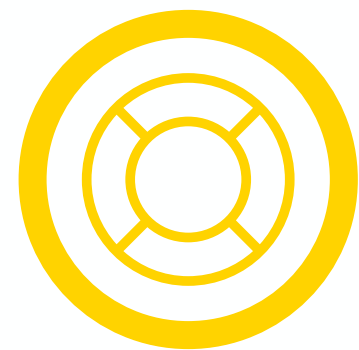
“No idea when I will retire.”
– Illinois



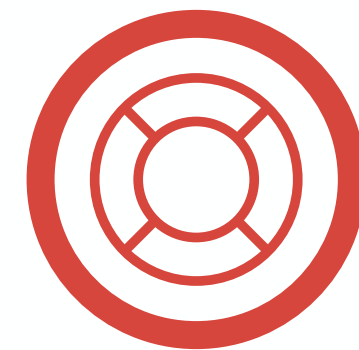
“Unsure at this time.”
– New Jersey



“Drop dead at age 90.”
– New York




“Don't know.”
– Pennsylvania



“I am uncertain.”
– Virginia



“Will make that decision closer to retirement.”

A man and a child are looking through a telescope on a rocky shore. The man is standing and the child is sitting. The background is a bright, hazy sky. The text is overlaid on the image.

“ The power of long-range planning to positively impact the sale price of a funeral home, transition to new ownership and a family’s legacy in the community is undeniable... Funeral directors help families pre-plan memorial services all the time yet, when it comes to planning their own futures, this study indicates that many funeral business owners are unprepared. ”

– Tom Kominsky, CFO, Foundation Partners Group

Surprising Results

Responses from funeral home directors who plan to retire in the short-term reveal some surprising results:

Of those who plan to exit the business within 6 months, 9 percent do not have a plan and an equal number are still in the process of developing one.

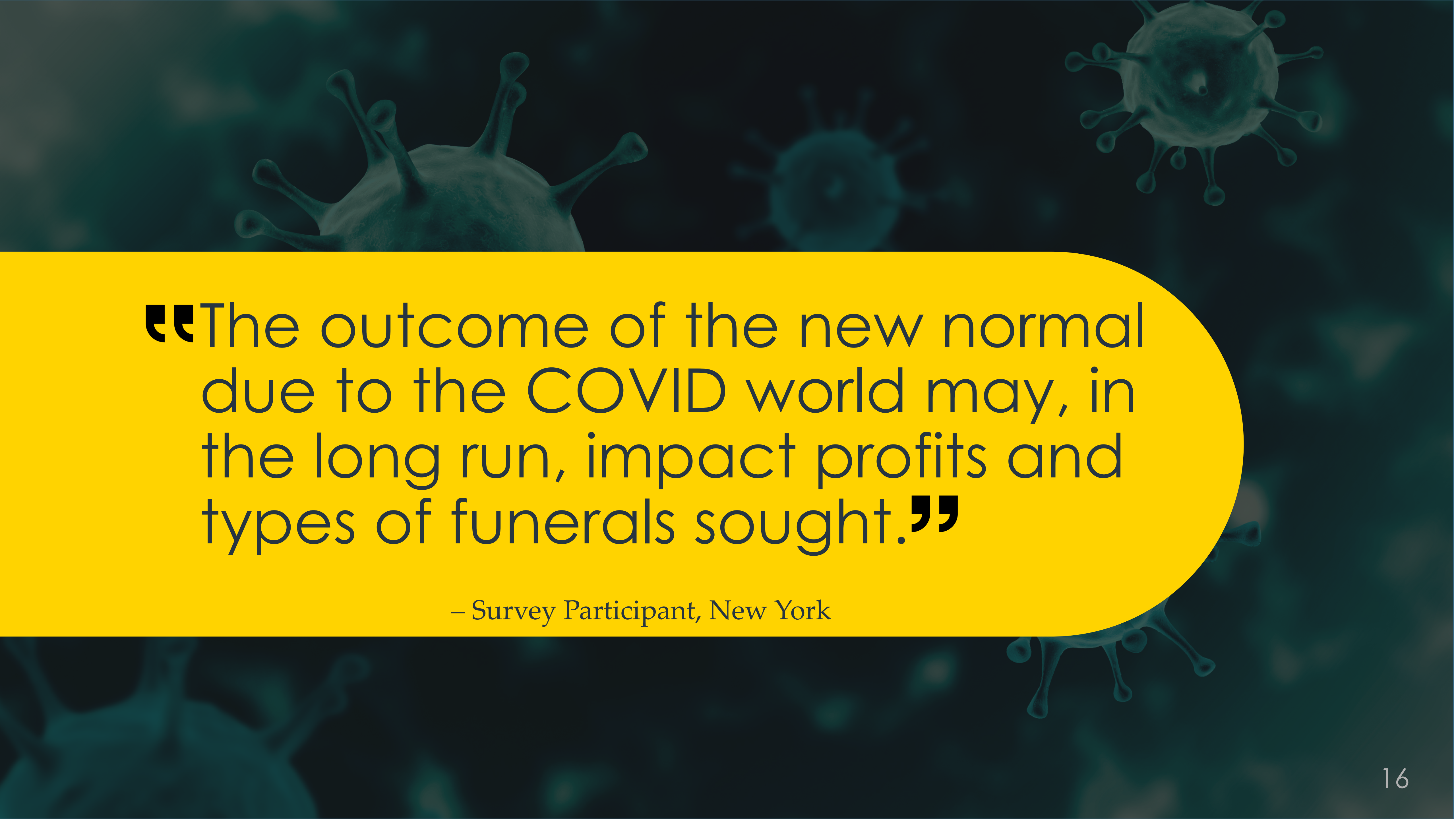
9% have no plan

9% still developing plan

Of respondents looking to retire in 6 to 12 months, half are still developing plans and nearly 10 percent have no plan at all.

50% still developing plan

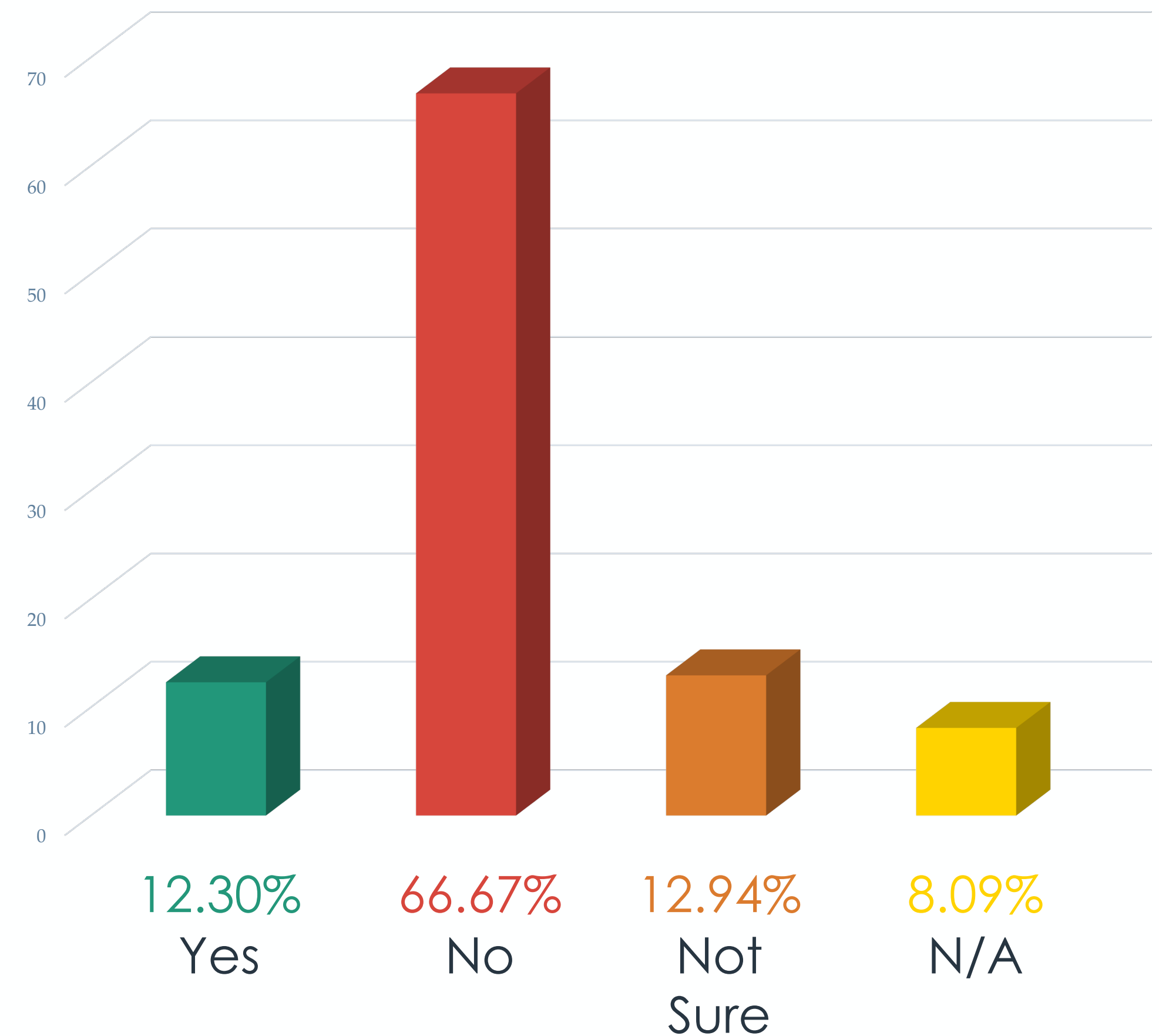
10% have no plan

The background of the slide features several stylized, teal-colored virus particles with prominent spikes, set against a dark teal gradient. A large, bright yellow speech bubble is positioned in the center, containing the main text.

“The outcome of the new normal due to the COVID world may, in the long run, impact profits and types of funerals sought.”

– Survey Participant, New York

More than **two-thirds** of respondents say the pandemic has **NOT** impacted retirement plans



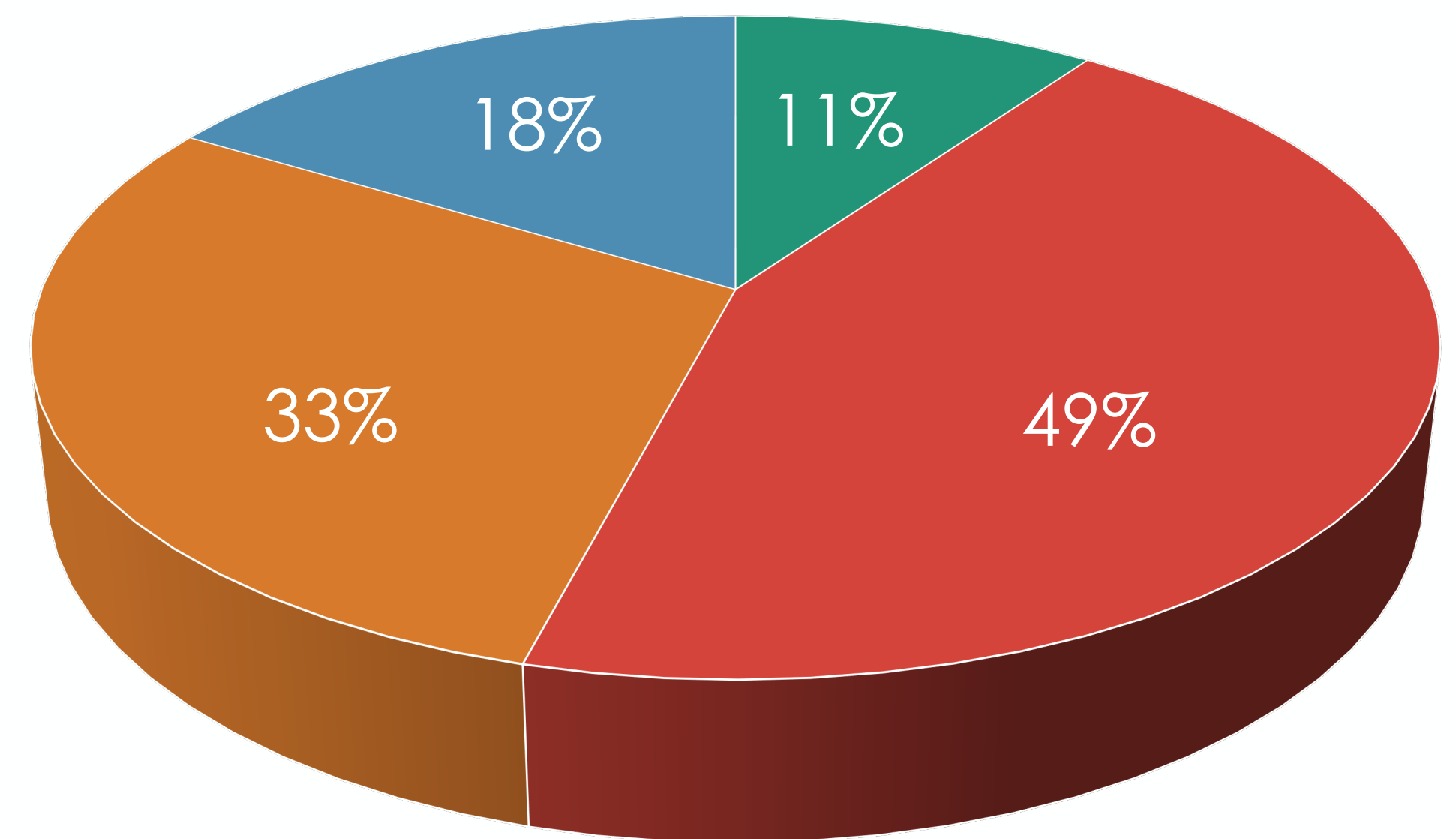
While Most Respondents Say the Pandemic has not Impacted Their Retirement Plans, the Impact has been Greatest on Those Planning to Retire in the Short-Term

While more than two-thirds of survey respondents (67%) said the COVID-19 pandemic has *not* affected their exit strategy, more than 12 percent said it has impacted their plans and nearly half (49%) of those respondents said the pandemic has “delayed plans to exit the business.”

The pandemic has caused 33% to “reassess” their entire business plan, while 11 percent said it “accelerated” their plans to exit the business.

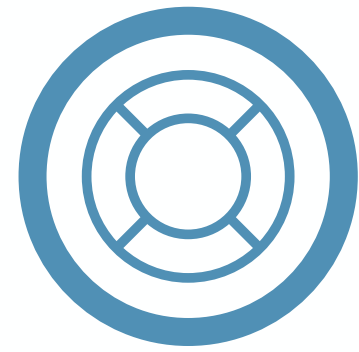
Respondents who plan to retire or exit the business in the short-term (within 12 months) were most likely to report that the pandemic has impacted their succession plans, with nearly 1 in 3 responding “yes” to the survey question. Of those, half said the pandemic has “accelerated” their plans to exit the business, while one-third said it has “delayed” them.

Respondents who cited pandemic impact

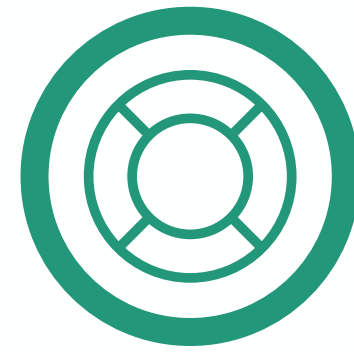


- Accelerated plans to exit the business
- Delayed plans to exit the business
- Reassessing entire exit plan
- Other

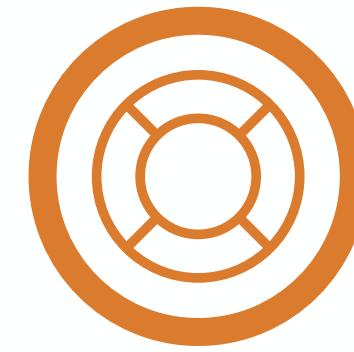
Comments Reveal a Mixed Bag of COVID-19 Fallout for Those Staying the Course



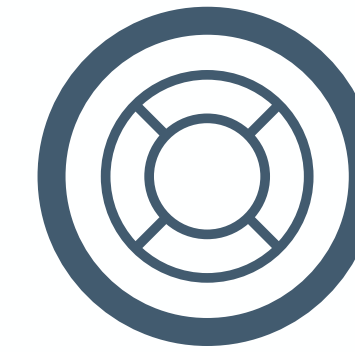
“Delayed plans
to purchase
another funeral
home.”
– Wisconsin



“Pursuing
growth
opportunities.”
– Indiana



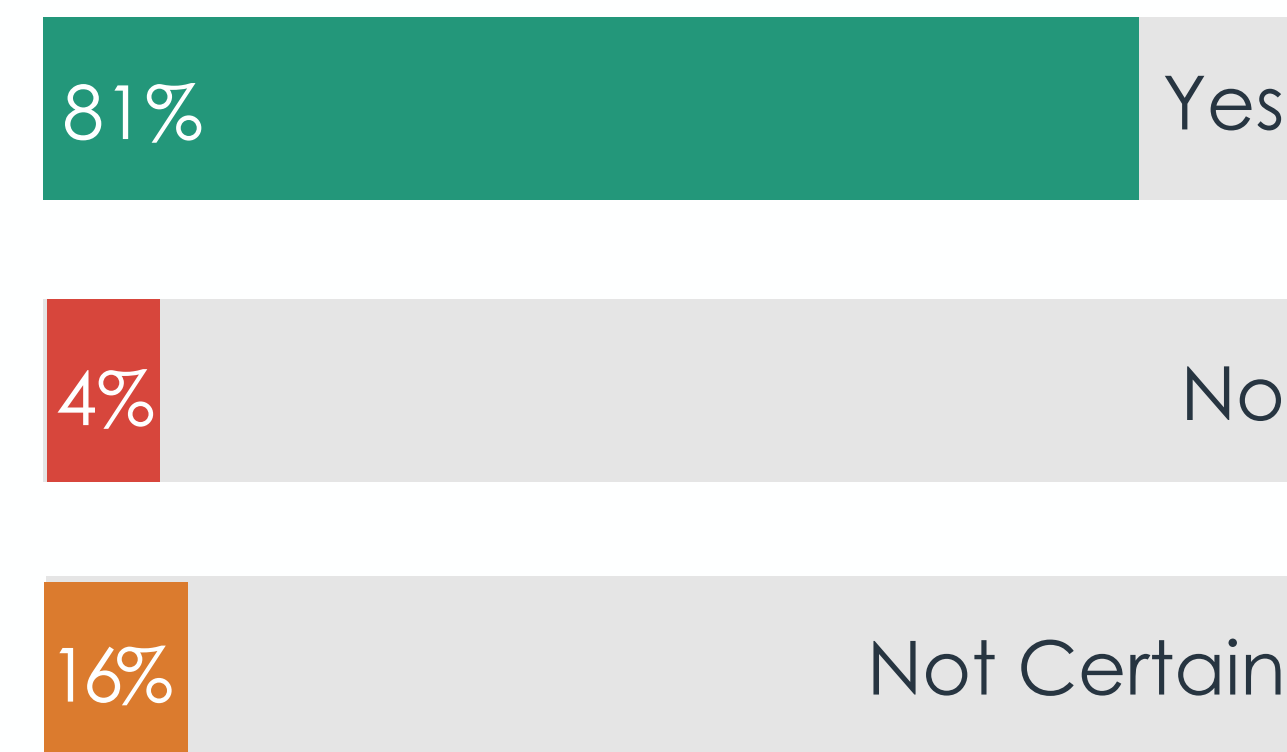
“Possibility to
purchase
another funeral
home to add
to the two we
already own.”
– Connecticut



“The impact
will depend on
how long it
lasts.”
– Michigan

Most funeral business owners are confident in their ability to weather COVID-19 restrictions...

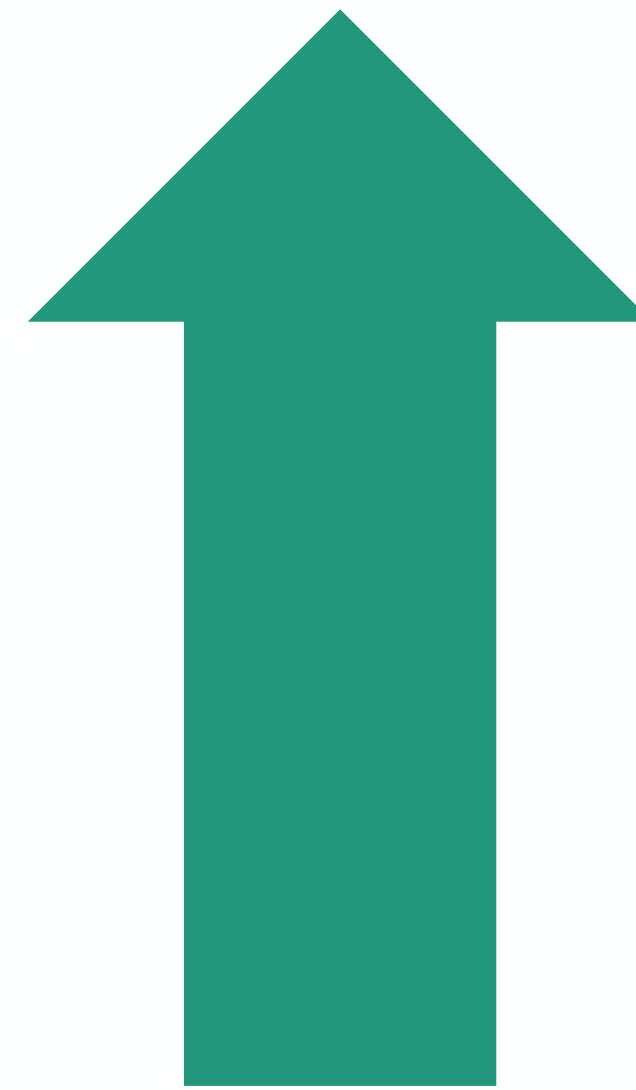
A large majority of respondents (81%) noted that their business had the financial and operational resources needed to cope with and adapt to changes created by COVID-19. Only 3.8 percent said they didn't have the necessary resources, while another 16 percent were not certain.



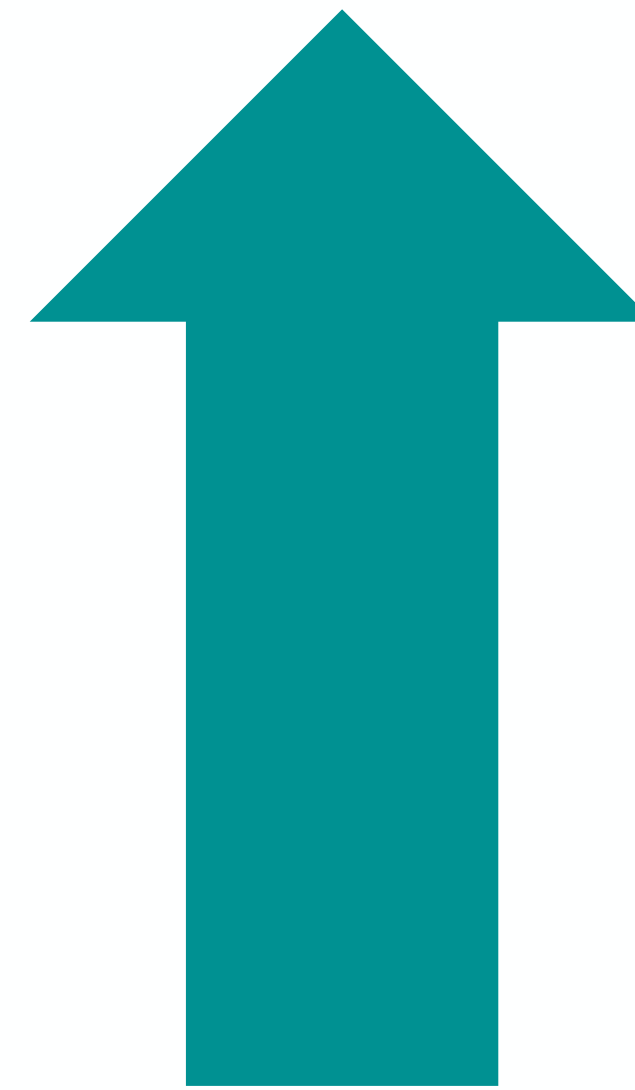
...However, services and profitability are down

Loss of service revenue was the biggest COVID-19 impact reported by the funeral service professionals surveyed

- 49% said profitability was down
- 37% said call volume was up
- Nearly 60% saw an increase in cremations
- 63% said fewer services were scheduled



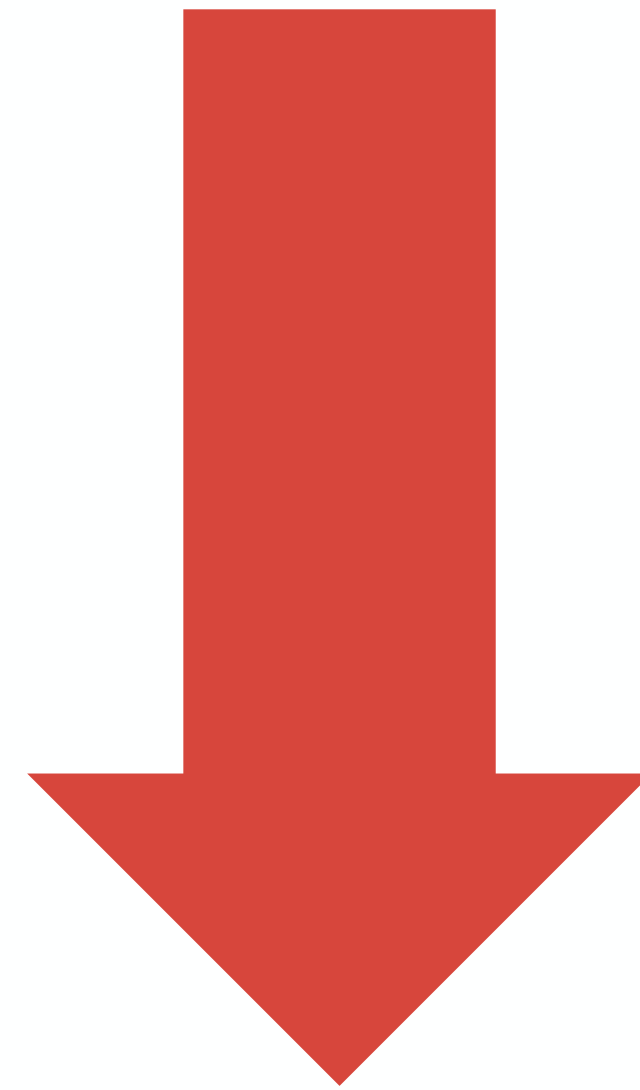
Call
Volume



Cremation
Requests



Service
Scheduled



Profitability

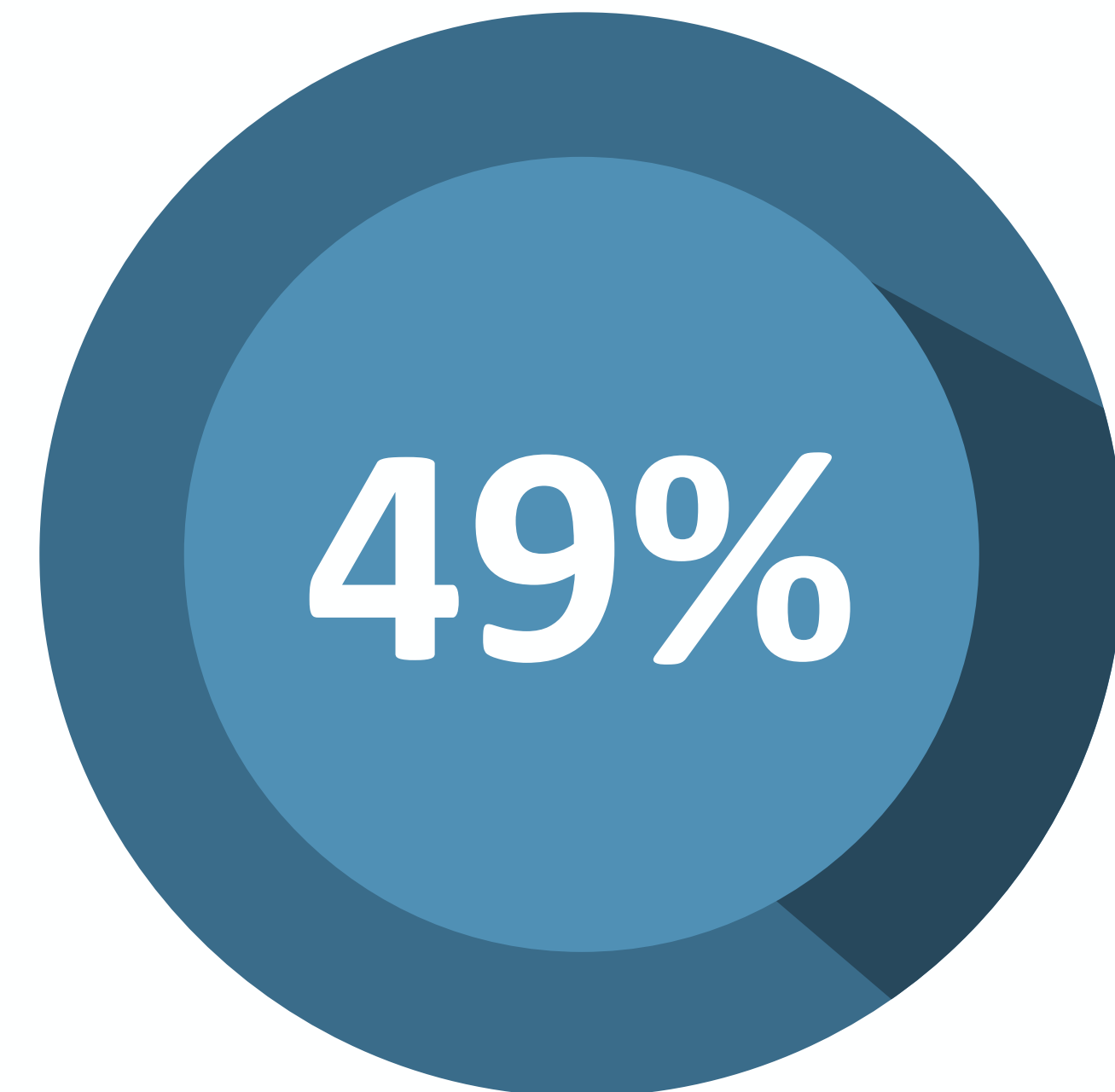
“ Families who may have selected more traditional or semi-traditional services have elected to have private or immediate disposition/cremation, thus affecting our revenue and merchandise sales.”

– Survey Participant, Illinois

A Significant Number of Funeral Home Owners Plan to Continue Changes Made in Response to COVID-19

Clearly, the pandemic has had a lasting effect on the funeral service industry.

Nearly half (49%) of survey respondents said they have made changes in funeral service offerings and/or operations in response to COVID-19, which they plan to continue post-pandemic.



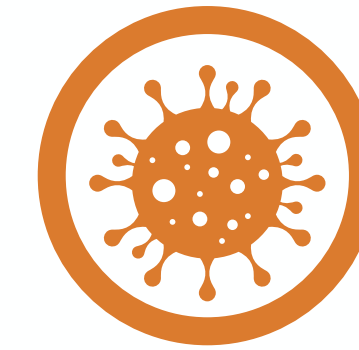
COVID-19 Has Had a Profound and Lasting Impact on the Funeral Business



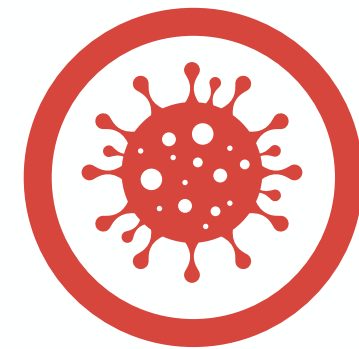
“Business is not traditional anymore. Families are pushing more toward cremation/ lower costs, due to no work, loss of hours and income.”
– Massachusetts



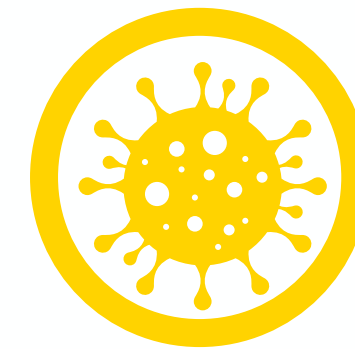
“Having no services, restricted services and delayed services has had a significant negative impact on profitability.”
– Minnesota



“Many creative offerings to encourage services: FM transmitting funerals to cars in the parking lot, livestreaming, outdoor funerals, etc.”
– Ohio



“We will continue to offer optional type services developed due to funeral service restrictions. Different options to traditional services were well received by our public.”
– Tennessee



“Tripled our cooler capacity, increased our cremation urn options, added video and online.”
– Illinois



“We have expanded our options to outdoor funerals and visitations. We’ve also developed various payment options that have been well received by clients and have helped us secure payment for services.”
– Minnesota

Remote attendance at live-streamed services is now a consumer expectation; digital services are here to stay.

Demand for live-streamed services is the lasting change cited most frequently by survey respondents, followed by “virtual (online) arrangements,” and “technology upgrades.”

In some cases, expectations for lasting changes resulting from COVID-19 are contradictory. While one business plans to extend visitation hours to allow people to come into the facility over a longer time period, another expects to shorten office and visitation hours into the future.

“I feel we will see remote or live-streaming of services increase.” – Survey Participant, Missouri

Other lasting COVID-19 changes cited by survey respondents include:

- Virtual, online arrangements, electronic signatures and authorizations
- Video tribute option after obituary on funeral home website
- Drive-by visitations
- Outdoor graveside funerals and “home funerals” on family properties
- Green burial and “no service” options for burial and cremation

Bigger is not necessarily better when it comes to funeral home consolidation; but for many, the advantages of corporate ownership are clear.

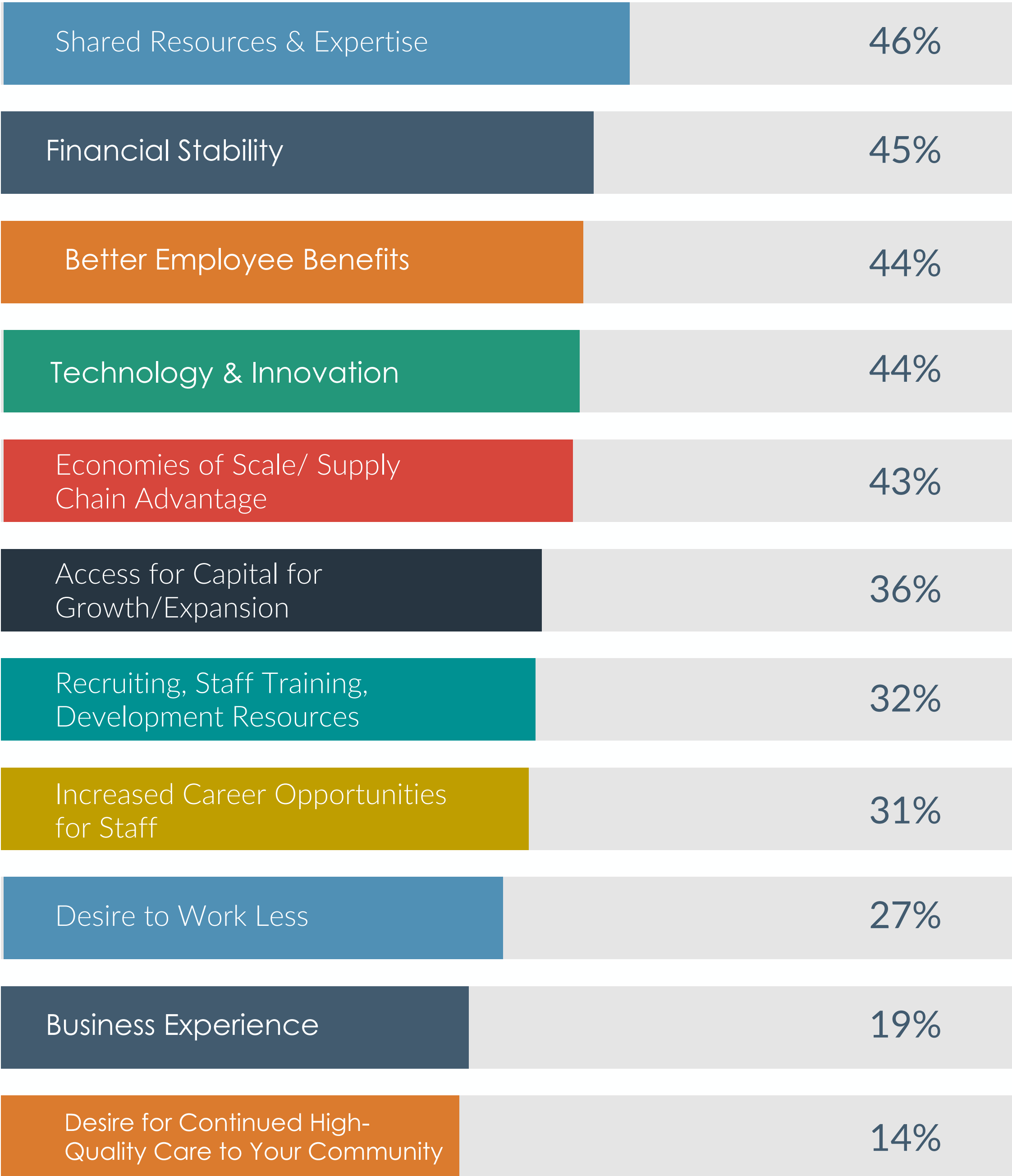
When considering whether funeral homes that belong to larger ownership groups have an advantage in adapting to and making operational and financial changes required in a COVID-19 environment, the majority (42%) of respondents said “yes,” 31 percent were “not sure” and 27 percent said “no.”



Respondents cited the top five advantages of corporate/group ownership:

- 1. Shared resources & expertise
- 2. Financial stability
- 3. Better employee benefits
- 4. Technology and innovation
- 5. Economies of scale/ supply chain advantages

Those business owners looking to sell their funeral homes in the short-term were most likely to note the technological, human resource and financial advantages of corporate/group ownership.



About Foundation Partners Group

Foundation Partners Group is one of the profession's most innovative providers of funeral services. The company owns and operates a network of more than 150 funeral homes, cremation centers and cemeteries across 20 states. Our organizational structure allows us to embrace and grow the legacies of the local funeral homes we acquire while leveraging economies of scale, a deep understanding of technology and our ShareLife® customer experience-centered approach to deliver truly innovative and compassionate care to the families we serve.



Let Us Help

Call today

888-788-7526

Visit **Foundationpartners.com** to learn more.