

A GRAVE MATTER

Rebecca J. Oatsvall
M.T. Bledsoe
Meredith College

Most small southern towns are home to at least one Funeral Home, and historically, many of them are family-owned. The Parish Funeral Home is the story of a family that has been a part of the community and served their funeral needs for over fifty years. Like many family-owned businesses, they have succeeded through hard work in an industry that is being taken over by large corporate entities able to maximize their profits by charging higher prices while also minimizing expenses through volume buying. This is a modern-day “David and Goliath” situation where the very survival of the family funeral home business is at stake.

Parish Funeral Home presents an opportunity to evaluate the continuous and demanding challenges of sustaining a family business where the industry is mature and the competition is able to gobble up small businesses. Students will address the challenges of managing and sustaining a business in an industry that most people don’t want to discuss – the death-care industry. Through research about the industry and the major players, students will offer suggestions about survival of the smaller companies in the face of ever-increasing regulations, decreasing margins, increasing competition from alternatives such as cremation, and the aging of America.

DEATH AND TAXES

The overused saying, “Nothing is certain but death and taxes,” is a morbid reminder of our own mortality. While most Americans plan for and talk about taxes, few are so open or forward-thinking about the subject of their deaths. Death planning is frequently a taboo subject and is spoken of using polite euphemisms such as “he is gone,” or “he has passed,” or “he has gone home.” We hear phrases such as “she would have wanted,” and “doesn’t she look good?” spoken at the uncomfortable times that we feel obliged to make a comment but are too uncomfortable or grief-stricken to know what to say. Although the events surrounding a death involve a very large outflow of funds for most families, there is little price comparison and buyers are usually ill-informed about alternatives in services or prices. The pressure to make a quick decision on an expensive item is increased by families wishing to conform to cultural and religious practices as

well as by family dynamics which may be stretched to breaking in these emotionally-charged decisions.

PARRISH FAMILY

The Parrish family, life-long residents in Selma, NC, has been in the funeral home business for over sixty years and has been in the same location since 1970. Robert Elton (Elton) Parrish served in the US Marine Corps in 1946 and 1947 and upon his return decided he wanted to do something others didn't do, become a licensed mortician. Because there was no mortuary school in North Carolina at that time, he moved to Nashville, Tennessee, where he attended Gupton-Jones College of Mortuary Science. He served his early years working for several funeral homes and bought Bailey Funeral Home in April 1964.

Elton's three children, Robert (Robbie), Michael (Mike) and Susan have all joined the family business. Susan's husband, Christian (Chris) Watson also plays a major role in the business. Over the years the business expanded, acquiring Underwood Funeral Home in Smithfield, NC, in 1999. Currently there are nine full time employees and four part time workers. Mike Parrish serves as President and Robbie Parrish and Chris Watson are Vice Presidents. Susan Parrish Watson is the Secretary/Treasurer and there are several funeral directors, office workers and one grave digger. There is no formal organization chart and decision making is described as informal and collaborative. Robbie manages the day-to-day operations at the Smithfield facility (Underwood Funeral Home) and Chris manages the Selma facility (Parrish Funeral Home).

The Parrish philosophy has been expansion through savings rather than incurring debt. In 1999 Underwood Funeral Home was acquired and in 2006, a crematory was built at the Underwood facility in Smithfield. Both were financed through capital accumulation instead of borrowing.

The Board of Directors is made up totally of family members. There are no outside investors and no outside representation on the Board of Directors. Human Resources are managed collaboratively by the family members in an informal manner. Marketing is limited to radio advertising, obituaries in local media, and advertising on pens. As there is no local competition now for funeral services, there are no sales people. There is no formal policy manual and no written succession plan. The next generation seems uninterested in joining the family business and this is of concern to all of the Parrish family. There is no clear succession plan at this time and there has been no discussion about the long term future of the family business.

The business is characterized by unpredictable work hours and the need to have someone on-call at all times. Volume at the Parrish Funeral Homes has increased from about 175 calls in 1987 to over 300 calls in 2013. Revenues come from sale of services, caskets, vaults, urns and other items. In the last few years, there has been increased competition for sales of caskets. The Funeral Rule, enforced by the FTC, requires all sellers to disclose price information for caskets and vaults (Complying with the Funeral Rule, 2012). Caskets are now sold by many newcomers to the industry, from small local businesses to WalMart and Costco and can be purchased on-line and shipped to the funeral home. Funeral homes are also required by federal law to accept caskets purchased from other sources. Funeral homes may not charge an additional fee to families who provide their own caskets and are required to provide a detailed price list for services, equipment and supplies. Caskets are the most expensive of the items sold by a funeral home and provide the highest profit margins. An example of the Parrish General Price List is provided in Appendix A.

When the Parrishes entered the business, prices for the casket usually included services. There is now an FTC requirement (Complying with the Funeral Rule, 2012) that all costs are itemized for the purchaser. When that rule was put into place, funeral directors realized that they were not charging for all of their services and the price the family paid actually increased. Thus an unintended consequence of price disclosure was that the prices went up instead of down.

A REGIONAL OVERVIEW

The town of Selma is located in Johnston County in the heart of North Carolina. This location is 25 minutes from Raleigh, the capital of North Carolina and there is a diverse population in this town of about 6,200 people (CensusViewer, 2014). The racial population mix is changing rapidly. One example is that persons of Hispanic origin increased by 86% from 2000 to 2010. Women outnumbered men and 80% of the population was between 5 and 64 years old. 11.5% of the population was over 65 and 8.5% were younger than 5. (CensusViewer, 2014) The U.S. Census revealed that the average travel time to work was 42.6 minutes in Selma, compared to 23.5 minutes for North Carolina as a whole. (QuickFacts from the US Census Bureau, 2014) The mean household income was \$23,183 while North Carolina as a whole had a mean income of \$46,450. The summary of Selma residents is that they are diverse in ethnicity and a high percentage of them (43.9%) live in poverty (QuickFacts from the US Census Bureau, 2014).

Diversity in population means that there will be diversity in religious and cultural practices as well. This diversity is reflected in the preferred funeral arrangements of the different populations. While cremation has been increasing in all of the United States, there is still resistance in some religious and age groups.

THE STATE OF THE INDUSTRY

The Funeral Home industry had revenues in 2013 of almost \$16 billion. These revenues were shared by over 25,000 funeral home operators. (Lerman, Sally IBIS World, July 2013) The industry is changing radically, with large corporate businesses buying up the smaller family-owned firms. In 2013, the top four companies had 17% of the revenue (Lerman, Sally IBIS World, July 2013) and they continue to expand. The largest player in the industry is Service Corporation International (SCI) and it became even larger at the end of 2013 when it acquired one of the other major corporations, Stewart Industries. Some of the major players now are Service Corporation, Carriage Services and StoneMor Partners (Lerman, Sally IBIS World, July 2013).

Larger corporations are able to realize economies of scale in purchasing items for resale and can share some facilities and administrative expenses. While it seems that they would be providing families with lower prices due to these economies, the opposite seems to be true. According to Bloomberg BusinessWeek (Barrett, 2013), average prices for an independently owned funeral home were on average 42% less than for Service Corporation of America. The funeral market can be viewed as sorting itself into two major camps – independent family-owned businesses and corporate industry. For additional industry pricing information, see Appendix B.

All funeral homes are seeing a rise in the popularity of cremations (Moldvay, 2013). . This change is partially due to environmental concerns, but also cost concerns since cremation is substantially less expensive than traditional burial. Price ranges for cremation vary from \$570 to \$1500, while an average funeral, not including casket or plot is over \$6,000 at an SCI facility. An additional factor may be weakening religious prohibitions and an increasingly mobile population that does not choose to be bound by proximity to a cemetery. As Americans have become more diverse, funeral customs have also changed. The survival of the small funeral home is a testament to its adaptability to changes in the population and their expectations.

The funeral home industry is in the mature phase of its life cycle and is characterized by heavy regulation which limits new entrants to the market. While SCI made a foray into the international market, it has pulled back and is now concentrating on the U.S. market. Some experts (Marsden, 2013) predict that the number of funeral homes in the U.S. will decline over the coming years as the cremation rate increases. As more families address deaths with pre-need arrangements, cost-conscious individuals may choose less expensive cremations or less expensive funeral options. The usual “upselling” where the funeral home

director pushes for longer services and a better casket will be less effective when it is done pre-grief.

CHANGING ENVIRONMENTS

The history of business is filled with any number of industry changes based on economic conditions as well as demographic and cultural changes. In the twenty-first century small, family business owners are being constantly challenged, to the point of survival, by what might be termed the “David and Goliath” model. These entrepreneurs are faced with the conglomerates that have power, money and expertise to gobble up their assets and markets. The conglomerates may lead to extinction of the small players.

IMPACT DATA/INFORMATION

At this juncture it may be instructive to provide a bit of information that emphasizes the impact of big business on small family owned funeral homes. Two examples of giants in the funeral home industry are Service Corporation International (SCI) and Stewart Company. They are respectively ranked number 1 and 2 in the funeral industry. Current articles point to changes in the industry:

... SCI casts a long shadow (over the death care industry). Based in Houston and publicly traded on the New York Stock Exchange, it operates more than 1800 funeral homes and cemeteries in the U.S. and Canada. It has 20,000 employees and a market capitalization of \$4 billion. For 40 years, SCI has gobbled competitors as the pioneer consolidator of a fragmented industry. (Barrett, 2013)

Already No. 1 in death care in North America, SCI expects by early 2014 to ingest the next-largest chain, Stewart Enterprises, based in New Orleans. In one gulp, SCI will grow to 2,168 locations. If the \$1.4 billion transaction gets antitrust clearance from the Federal Trade Commission, the combined company would control some 15 percent of the U.S. industry, with much larger shares of prime markets in Florida, Texas, and California. In West Palm, a

mecca for retirement (and therefore death), the Stewart merger would add a ninth business to the SCI stable, translating to more than 60 percent of the local market” (Barrett, 2013)

In December 2013, SCI finalized the purchase of Stewart Enterprises. As part of the deal, SCI was forced to sell four New Orleans based funeral homes. (Larino, 2013) Probably it is too soon to assume doomsday is just around the corner or inevitable. Certainly it is time for small, family-owned funeral businesses to become more informed and aware of dynamic changes in the death care marketplace. Traditional business practices or doing business as usual may lead to difficulties with sustainability and security in holding market share. Notable shifts include changes at an-ever increasing pace and entrepreneurs must be ready and able to adapt to unexpected and demanding wants and needs by the consumers. This coupled with societal norms and cultural shifts may require flexible business and management/ownership styles changes.

APPENDIX A

**General Price List
Parrish Funeral Home, Inc.
1351 South Pollock Street
Post Office Box 1031
Selma, North Carolina 27576
(Prices effective as of 1/1/2012)**

Transfer of Remains to the Funeral Home	\$300
Embalming	\$590
Special Care of Autopsied	\$150
Basic Services of Funeral Director and Staff and Overhead	\$1,925
Other Preparation of the Body	\$245
Use of Facilities and Staff for Visitation	\$425
Use of Facilities and/or Staff for Funeral Ceremony, Memorial Service or Graveside Service	\$450
Hearse	\$310
Family Car (Limousine)	\$100
Flower/Service Vehicle	\$120
Caskets	\$838 to \$25,096
Outer Burial Containers	\$1,295 to \$10,335
Cremation Urns	\$150 to \$690
Forwarding of Remains to Another Funeral Home	\$1,885
Receiving Remains from Another Funeral Home	\$1,650
Immediate Burial	\$1,850 to \$26,946
Direct Cremation	\$1,895 to \$1,940
Funerary Equipment:	
Delivery and use of Home Equipment	\$175
Funeral Tent	\$175
Required when NO Outer Burial (casket)	\$325
Container is used (urn)	\$265
Transportation Beyond our 30 mile service area	
Hearse Mileage, per mile, one way	\$2.50
Family Car Mileage, per mile, one way	\$2.50
Other Services and Supplies	
Transportation to or from Raleigh-Durham Airport	\$300
Shipping Tray (Body)	\$175
Shipping Tray (Casket)	\$195
Grave Opening and Closing (funeral home)	\$700
Package Selections: (Watson, 2013)	
Chapel or Church Service Package	\$4,465
Graveside Service Package	\$4,015

APPENDIX B

2013 Average prices for services in a traditional funeral (not including casket or plot)

	Independently owned funeral <u>homes</u>	Service Corporation <u>International</u>
Basic staff services	\$1,840	\$2,763
Embalming	\$662	\$952
Dressing and casketing	\$217	\$296
Facility for visitation	\$431	\$447
Facility for services	\$491	\$592
Transfer vehicle	\$289	\$542
Hearse	\$298	\$374
Utility/flower vehicle	\$128	\$231
Lead car	<u>\$49</u>	<u>\$59</u>
Total average service	\$4,405	\$6,256

Overall average percentage difference: 42%

Source:
(Barrett, 2013)

Summary of Average Pricing

Service Corporation International	\$6,256
Independently owned funeral homes	4,405
Parrish Funeral Home Chapel/Church Package	4,465
Parrish Funeral Home Graveside Package	4,015

(Watson, 2013)

REFERENCES

- Barrett, P. M. (2013, October 28). Is Funeral Home Chain SCI's Growth Coming at the Expense of Mourners? *Bloomberg Businessweek*, pp. 72-77.
- CensusViewer*. (2014, June 26). Retrieved from <http://censusviewer.com/city/NC/Selma>
- Complying with the Funeral Rule*. (2012). Federal Trade Commission.
- Larino, J. (2013, December). Retrieved from The Times Picayune: http://www.nola.com/business/index.ssf/2013/12/service_corp_required_to_sell.html
- Lerman, Sally IBIS World. (July 2013). *Resting place: Demographic trends benefit funeral homes, but cremations hamper growth IBISWorld Industry Report 81221*. IBISWorld.
- Marsden, S. J. (2013, 12 10). *Choosing a Funeral Home, Mortuary or Crematory in the US for a Funeral or Cremation Service*. Retrieved from US Funerals Online: <http://www.us-funeral-homes.html>
- Moldvay, Caitlin, IBISWorld. (2013). *Six feet under: The popularity of lower cost cremations buries industry revenue, IBIS World Industry Report 81222*. IBISWorld Inc.
- QuickFacts from the US Census Bureau*. (2014, June 26). Retrieved from <http://quickfacts.census.gov/qfd/states/37/3760320.html>
- Watson, C. E. (2013, November 21). Vice President, Parrish Funeral Home. (R. Oatsvall, & M. Bledsoe, Interviewers)