

THOUGHT-LEADING  
INSIGHTS FROM  
HOMESTEADERS  
LIFE COMPANY

## White Paper

# Why do pre-need?

A definitive guide to how a robust pre-need program can benefit your funeral home.



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*“With the right funding provider, a robust pre-need program can satisfy consumer demand, generate positive PR, secure future business and ensure financial stability.”*

# Pre-need plays a critical role in your funeral business.

## Why Do Pre-need?

Simply put, pre-need plays a vital role in the long-term strategy of a successful funeral business. With the right funding provider, a robust pre-need program can satisfy consumer demand, generate positive PR, secure future business and ensure financial stability.

More and more Homesteaders customers are finding that pre-need is not only a necessary component of a strong funeral business, but it also satisfies a consumer demand. Patrick Campbell, funeral director and certified pre-need consultant at McDougald Funeral Home has found that the Anderson, SC, community highly values their pre-need offerings. “Not only is pre-need a great marketing tool, but it also provides a service that families really want and a service that families need,” he explained.

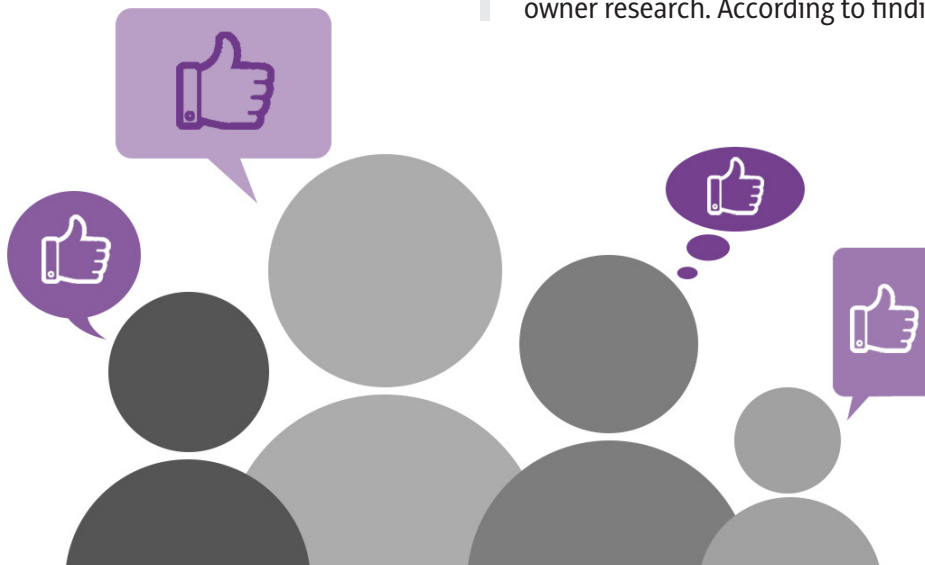
This sentiment is echoed in Homesteaders’ semi-annual policy owner research. According to findings

from our 2015 survey, 100% of Homesteaders policy owners reported some level of satisfaction with their decision to prearrange, and 96% reported that they were completely or very satisfied. Our findings also confirmed that there are many important motivations that prompt a policy owner’s decision to prearrange, including rational and emotional triggers.

## Rational Motivators

Our survey results show that the primary motivation for individuals to prearrange is rational – a desire to lift the burden from surviving family members so they can focus on supporting each other during the time of grief. In addition, we’ve learned from focus groups that, by prearranging, individuals seek to make things as easy as possible for their loved ones, ensuring the pertinent information is easy to locate while also avoiding arguments which could stem from differing opinions.

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▼  
**100%** of respondents to Homesteaders’ policy owner survey reported satisfaction with their decision to prearrange.



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## Pre-need satisfies a consumer demand.

*“It’s gratifying when we can say to families, ‘This is exactly what your dad wanted, and what’s more, he’s already paid for it.’ That can be a huge comfort for the family.”*

The survey also shows that eliminating the financial burden from loved ones is another powerful incentive to prearrange. Nearly 90% of policy owners cite this as an “extremely important” motivation, hoping to guarantee their funeral cost and alleviate emotional overspending while simultaneously preventing the stress of trying to find funds for end-of-life plans.

“While the older generations have life insurance and savings, we’re seeing more and more younger families living paycheck-to-paycheck,” observed Jaime Martinez, owner of Mt. Carmel Funeral Home in El Paso and Irving, TX.

“Pre-need is a good option for these families. It locks in the cost and eases the financial burden. It’s gratifying when we can say to them, ‘This is exactly what your dad wanted, and what’s more, he’s already paid for it.’ That can be a huge comfort for the family.”

### Emotional Motivators

Our policy owner survey also shows that emotional motivations – incentives

that are based on how a policy owner feels – play an important role in driving the decision to prearrange. These considerations are often fueled by an individual’s desire to fulfill their responsibility to their loved ones, something 97% of our survey participants rate as “extremely” or “somewhat” important.

“In today’s world, one of the most caring, loving things someone can do for their family is to go ahead and make those decisions,” observed J. Wells Greeley, President of Wells Funeral Home in North Carolina. “It saves the family the heartache of having to do it at a time when they’re not prepared to do it.”

One focus group participant explained that her motivation to prearrange stemmed from a desire to shield her children from the emotional stress of planning her funeral at the time of need. “I told my daughter that we had already done that, and she said thank you,” she recalled.

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ELIMINATE FINANCIAL  
BURDEN FOR SPOUSE

77%

MAKE DECISIONS  
WITH SPOUSE

78%

LOCK IN TODAY’S PRICES

85%

CHOOSE THE ARRANGEMENTS I WANT

85%

ELIMINATE FINANCIAL BURDEN FOR CHILDREN

► **89%** of respondents to our 2015 policy owner survey cited relieving children of the financial burden as an “extremely important” motivator for prearranging a funeral.



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*“It turns out our clients did want to arrange their funerals, and they did want to take the decision making and the burden away from their families.”*

## Pre-need generates positive public perception.

Our focus group studies also find that for many individuals the decision to prearrange is fueled by a desire to ensure that their funerals will be accurate reflections of their values and preferences. “I think it’s important to talk to your loved ones and let them know your feelings about the funeral,” said another participant, explaining her preference that “Amazing Grace” be played during the service. “I would feel good if my loved ones knew how I felt.”

When asked to stereotype the kind of person who prearranges his or her funeral, focus group participants described individuals who are organized, competent, intelligent, loving and thoughtful. These same participants recalled feeling smart after completing their prearrangements. “It’s like when you buy a dress on sale. You feel good. You’re saving money. You’re pleased with yourself,” characterized one respondent. Others reported positive feelings such as relief at having completed the task.

Overwhelmingly, our consumer research suggests that consumers want to

have the option to prearrange and prefund their funerals, something that is further underscored by the success of our funeral home partners. “When we decided to do full-scale pre-need marketing with Homesteaders, we were surprised to discover our local population was eager to advance plan and fund funerals,” said Dale Groce, co-owner of North Carolina’s Groce Funeral Home. “It turns out our clients did want to arrange their own funerals, and they did want to take the decision making and the burden away from their families.”

In addition to satisfying consumer needs, our research also establishes pre-need as a source of positive public perception, a business best practice that can boost word-of-mouth referrals and brand recognition while presenting opportunities for superior service.

### Word-of-mouth Referrals

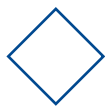
Homesteaders’ policy owner research consistently demonstrates that not only are consumers highly satisfied with their decision to prearrange, they’re also likely to recommend the process

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Survey respondents who chose cremation were **twice as likely** to cite “finally knowing which arrangements I wanted” as their motivation for prearranging.



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## Pre-need encourages word-of-mouth referrals.

to their friends and family members. Consider the following:

- ▼ Our 2013 policy owner survey found that 81% of respondents turned to someone they know (including subject matter experts like clergy, doctors, attorneys and nursing home staff) for information on prearranging. Of those, 90% reported friends and family as their primary source.
- ▼ Ninety-six percent of respondents to our 2015 survey would consider recommending prearranging to someone else, and 41% already had within the first two months following prearrangement.
- ▼ Of the 29,000 general consumers surveyed in a 2013 report from Nielsen, 84% reported they "completely" or "somewhat" trust recommendations from people they know. The same survey found that nearly 40% of respondents do not trust newspaper or television advertisements.

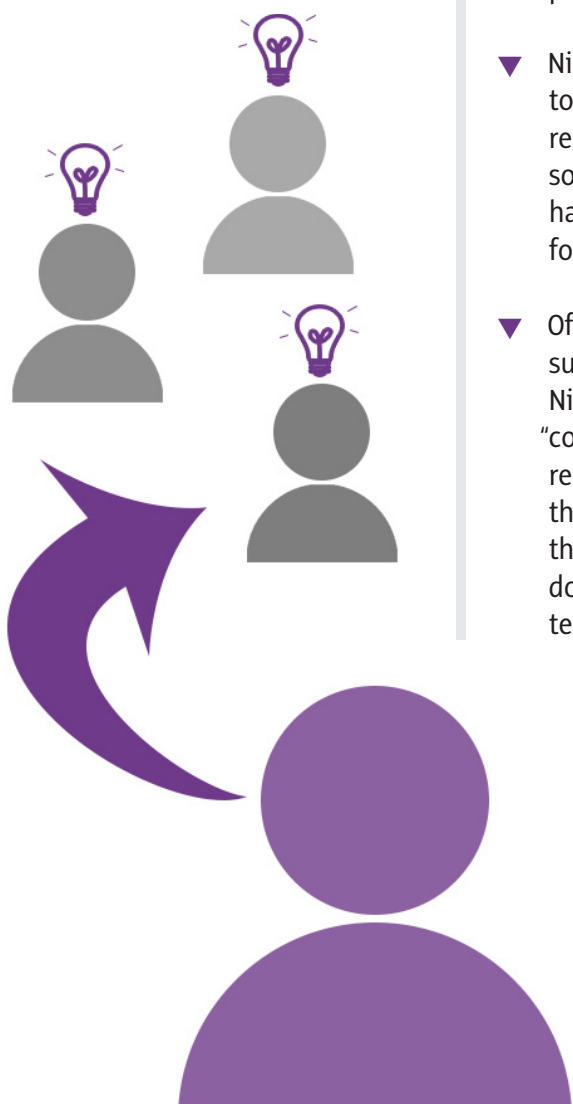
These statistics underscore an important trend: consumer confidence in traditional forms of paid advertising, like television and newspaper ads, is declining. At the same time, trust in earned advertising – word-of-mouth referrals that a business earns through offering exceptional value and/or service – is growing.

For funeral professionals, an active pre-need program is an effective way to earn your client families' referrals and grow your market share. Individuals who are interested in prearranging are likely to turn to trusted friends and family for information, and those who have prearranged with your firm are likely to recommend the process. In turn, prospective clients are more likely to trust these earned referrals than any traditional advertising your firm might purchase.

### Brand Recognition

In addition to our policy owner surveys and focus group studies, Homesteaders often completes research projects on behalf of our funeral home customers.

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► **81%** of respondents to Homesteaders' 2015 policy owner survey reported someone they know as their primary source of information on prearranging.



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*“Funeral professionals need to take steps to increase brand awareness so your firm is top-of-mind when consumers are ready to finalize their buying decisions.”*

## Pre-need increases your firm's name recognition.

During these surveys, over 90% of respondents could name one funeral provider in their area. Only 62% could name two providers, and less than half could name three or more firms.

Our 2015 policy owner survey supports these findings, revealing that 92% of respondents only considered one or two funeral homes when making their final arrangements. The same survey shows that it takes many consumers over a year (and often two years) to complete the paperwork after they first consider prearranging.

To ensure the long-term success of your business and extend your market share, funeral professionals need to take steps to increase brand awareness so your firm is top-of-mind when consumers are ready to finalize their buying decisions. Pre-need is a great way to increase name recognition in your community and boost the odds of being recognized and recommended.

### Superior Service Experiences

At-need services can often be an emotionally draining and stressful time for survivors, making them less likely to notice, appreciate and

recommend your services. The nature of prearrangements lessens the burden on these families, allowing you the time and flexibility to offer a superior service experience.

In a reduced-stress environment, you can explain all of your service offerings in greater detail, answering questions that make it easier to plan a meaningful service. This highlights your staff's trustworthiness and expertise and, ultimately, endears families to your firm.

Pre-need also helps alleviate regrets and uncertainty, something which can further contribute to a family's positive view of your business. Jeffrey Wages, President of Wages and Sons Funeral Homes, Inc., in Lawrenceville, GA, cites pre-need as a great way to alleviate feelings of anxiety or concern, going so far as to offer a “No Regrets Promise” to survivors. “We want families to leave with a sense that the service was perfect, they wouldn't have done it any differently and that it was exactly what they needed to honor their loved one,” he explained. “At the end of the day, those families are better served.” In addition to meeting consumer demands and boosting positive public

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**Nearly three out of four** respondents to Homesteaders' 2015 policy owner survey only considered one funeral home when making prearrangements.



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# Pre-need increases your firm's revenue.

perception, an active pre-need program can increase your firm's revenue and help grow your business.

your ability to grow your business because it does not account for fixed and variable costs.

## Transaction-Based Financial Strategy

For many funeral professionals, deciding whether or not to offer a guaranteed funeral can be a challenge due to growing concerns that pre-need funds might prove insufficient to cover the full cost of services at the time of need. What if, for example, an individual plans and pre-funds a \$5,000 funeral, but the cost at need is actually \$6,000? How can a funeral home hope to remain profitable when they have to absorb \$1,000 in extra expenses on their pre-need calls?

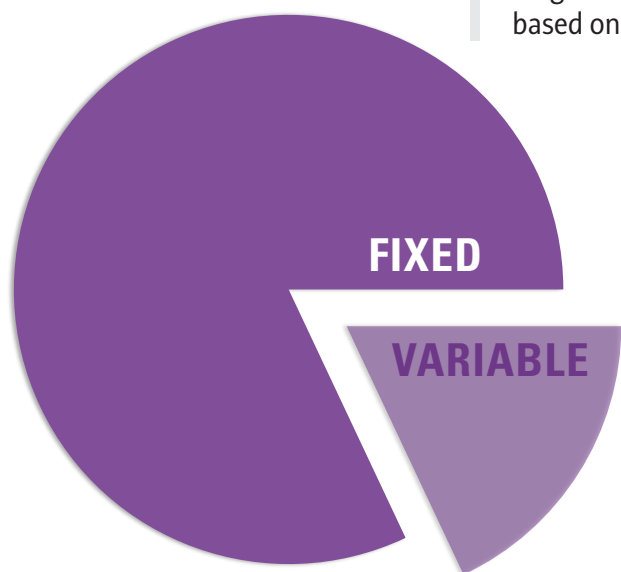
This type of transactional thinking – calculations based on a single funeral rather than a business's overall profitability – can lead to many missed opportunities to expand your firm's long-term viability. Simply put, strategy based on transactional thinking limits

## Fixed vs. Variable Costs

Business expenses can be divided into two categories: fixed and variable. Fixed costs are those expenditures which remain constant independent of your firm's call volume. Salaries for full-time employees, facility costs and annual licensing are all expenses that stay the same no matter how many funerals you and your staff provide. Variable costs are those things that are affected by call volume – prep room supplies, caskets and other merchandise are all impacted by the services you complete for each client family.

For most firms, an annual budget covers the fixed and variable costs accrued by the usual at-need call volume. Any additional funerals (like those that would be added to your annual call volume through an active pre-need program), only need to

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**18%** of the average cost of a funeral comes from variable expenses like prep room supplies, caskets, merchandise and part-time employee salaries.





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# Pre-need secures future business & financial stability.

account for variable expenses as the fixed cost is already covered by the budgeted at-need call volume. Once the variable costs are covered, the remaining balance is extra profit you can leverage to grow your business.

## Leveraging Fixed Overheads

According to a study conducted by the Federated Funeral Directors of America, variable expenses account for 18% of the average cost of a funeral. That means, in the example above, only \$900 of the pre-funded \$5,000 would go toward variable expenses. Since your firm's fixed costs would have been covered by your usual number of at-need calls, the remaining balance – \$4,100 – would be net profit.

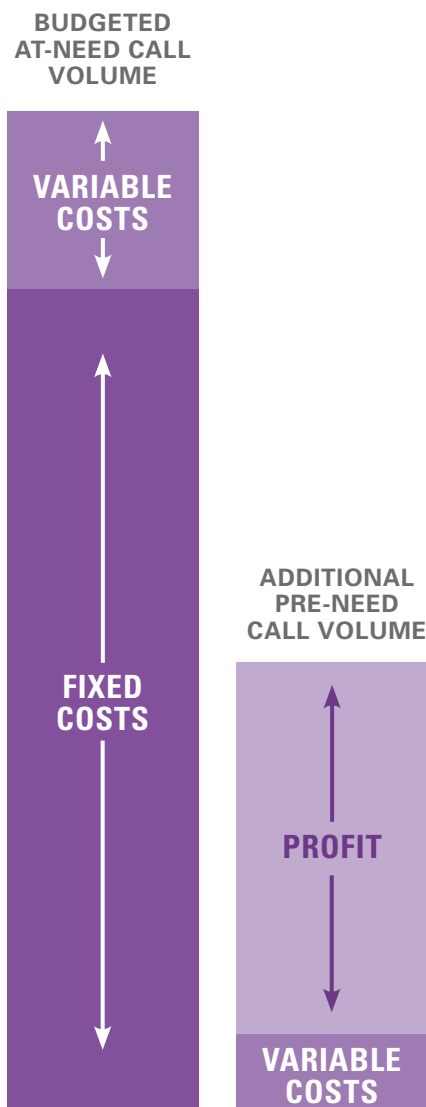
An aggregate-focused financial strategy like this looks at the overall profitability of your business, rather than focusing on single transactions. When you limit your approach to transaction-based financial strategy, you interpret the \$1,000 shortfall as a loss. When leveraging fixed overheads, however, you start to consider ways to reinvest the additional \$4,100 profit into growing your business.

According to the National Funeral Directors Association's 2013 member survey, the median cost of an adult funeral in America is \$7,045. Let's assume that you and your firm are committed to a more active pre-need program at the rate of one prearrangement every month in addition to your usual at-need call volume. If your pre-need efforts produced 12 median-sized funerals each year, you would be looking at \$69,323 in additional profit after meeting your variable expenses. That is money you can use to grow your business through facility improvements, advertising efforts or additional staffing.

## Preserving Today's Buying Habits

We've also found that prearrangements offer a way for funeral home owners to lock in today's buying habits, something that has become increasingly important in light of rising cremation rates. According to the Cremation Association of North America's preliminary data, cremation accounted for 46.7% of final disposition in 2014, and CANA projects cremation rates will reach 52.9% in 2019.

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**82%** of the cost of an average funeral comes from fixed expenses, which means that once you've accounted for fixed costs with your budgeted at-need calls, any additional pre-need call volume should result in 82% profit, on average.





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*“Those who prearrange and pre-fund their funerals through Homesteaders are less likely to choose cremation than the average consumer.”*

## Pre-need locks in today's consumer preferences.

But Homesteaders' pre-need policies tell a different story. Only 40.7% of policies issued in 2014 listed cremation as their preference for final disposition – six percentage points below CANA's preliminary findings for the same year. These results suggest that those who prearrange and pre-fund their funerals through Homesteaders are less likely to choose cremation than the average consumer.

According to survey results from Kates-Boylston's latest casket survey, cremation families are spending 30 to 50% less on funerals than those who select burial for final disposition. Locking in today's buying habits through prearrangement could help ensure your firm's financial stability by slowing the impact of cremation on your business and offering you some much-needed time to address the changing landscape.

### Selecting a Funding Partner

We've found that a strong partnership with your pre-need funding partner can go a long way toward making your program simple and seamless. At Homesteaders, we are committed to offering the tools, training and support you need to ensure a successful pre-need program.

A 2014 survey of Homesteaders' funeral home partners asked customers to describe, in one word, their experience working with us. The most common, unprompted responses – listed by nearly 30% of respondents – were “easy” and “simple.” When asked to rate their satisfaction with the ease of doing business with Homesteaders, 96% reported being “completely” or “very” satisfied.

We understand that your time is limited. Your demanding schedules leave very

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**Cremation families spend 30 to 50% less** than those who select traditional burial. Locking in today's buying habits through pre-need may help slow the financial impact of cremation.



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*“We’ve found that a strong partnership with your pre-need funding partner can go a long way toward making your program simple and seamless.”*

## Pre-need is easy with Homesteaders’ tools.

little time for extra staff development and bookkeeping. In light of this, we’ve worked hard to offer timesaving tools and helpful, ongoing training that make it easy to partner with us in establishing a robust pre-need program.

### Homesteaders’ Timesaving Tools

The same 2014 customer satisfaction survey prompted our funeral home partners to list what they value most about working with Homesteaders. Over a quarter of respondents listed our easy application/claim process and prompt claim payment as the two characteristics that they find most beneficial.

We also asked respondents to select the most important reasons they do business with us. Nearly three quarters of respondents listed “Instant Claims” as a top reason, and 99% of respondents reported being “completely satisfied” with the timeliness of claim payment. Others selected tools like the myHomesteaders.com dashboard and online enrollment as key benefits.

Our online enrollment tool eliminates the paperwork associated with submitting new business and ensures all the necessary information is complete and the calculations are correct. Because the business comes to us without errors, it can be issued more quickly. The new electronic funds transfer (EFT) feature for claims is another added benefit, ensuring quick, error-free payment processing.

“It’s just a seamless transaction all the way,” observed Dave Moore, owner of Hogan Bremer Moore Colonial Chapels in Mason City, IA. “I really like the ability to see my block of pre-need business online. It puts things into perspective and allows me to measure our efforts at any time.”

Homesteaders also has strong relationships with several affiliated marketing organizations that can help you grow your pre-need business by providing additional staff resources, contact management tools and marketing support.

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**99%**

of respondents to Homesteaders’ customer satisfaction survey reported being “completely satisfied” with the timeliness of claim payment.



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*“We’ve developed training opportunities that empower you and your staff to introduce advance funeral planning in tactful and effective ways.”*

## Pre-need is easy with Homesteaders’ training.

### Homesteaders’ Ongoing Training

While our funeral home partners are exceptionally skilled at meeting the needs of at-need families, we often find that marketing pre-need can be initially uncomfortable. Funeral professionals understand that advance planning is a positive thing for families – and for their firms – but sometimes find it difficult to actively sell those services.

In light of this, we’ve developed training opportunities that empower you and your staff to introduce advance funeral planning in tactful and effective ways.

At our Home Office, we offer Successful Sales Strategies classes, specifically designed to provide an engaging, interactive opportunity to learn techniques for selling to the modern consumer. The three-day course is offered at no cost to Homesteaders customers, and many of the course

graduates credit the training with their pre-need sales success.

“I’m jealous of all the new people who are just starting out and have the benefit of this training,” explained Carol Austin of Austin Funeral and Cremation Services in Brentwood, TN. “In our small, family-owned business, anytime we hire somebody in the area of prearrangements, we would want them to go through the training.”

This fall, we introduced our new Strategic Business Management course for funeral professionals that is designed to teach today’s business-minded funeral home owners how to adopt the latest and most innovative business practices. We partnered with Drake University to offer the three-day course and invited attendees from five different states.

“As funeral home owners, oftentimes it’s difficult to work on our business

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**96%** of respondents to our latest customer satisfaction survey reported being “very” or “completely” satisfied with the ease of doing business with Homesteaders.



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**Pam Kleese**

Director  
Marketing Information

## Pre-need is easy when you work with Homesteaders.

because we're so tied up working in the business," observed Jeremy DeBord, Vice President of DeBord Snyder Funeral Home in Lancaster, PA. "Having a chance to bounce ideas off of non-competitors as well as learn from the great instructor was really beneficial."

Homesteaders also coordinates ongoing continuing education courses that qualify for state insurance, funeral director and ethics credit hours. Our Educational Services Director offers

courses throughout the country – both on-site and online – making it easy to keep up with your licensing requirements.

### The Next Steps

As you consider your long-term business strategy, we encourage you to consider how an active pre-need program might secure the long-term security of your firm while simultaneously offering a service that families really want and need.



**About the Author:** When Pam Kleese joined Homesteaders in 2005, she had over a decade of experience in marketing research. In her current role, she coordinates strategic research initiatives, leads the business intelligence function and provides custom research services to our customers.

Homesteaders Life Company is a national leader in providing products and services to promote and support the funding of advance funeral planning and end-of-life expenses. We have a commitment to marketing research and continually providing information to funeral professionals to help them improve profitability, grow market share and create remarkable experiences for people in the communities they serve.

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